

**NEW ISSUE—Issued in Book—Entry Only Form**      **Ratings:** Fitch “AAA/F1+”; Moody’s “Aaa/VMIG1”; Standard & Poor’s “AAA/A-1+”  
See “MISCELLANEOUS—Bond Ratings” herein.

*Subject to compliance by the State of Utah with certain covenants, in the opinion of Chapman and Cutler, Bond Counsel, under present law interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the opinion of Bond Counsel, under existing laws of the State of Utah, as presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. See “LEGAL MATTERS—Tax Exemption” herein for a more complete discussion.*

**\$358,000,000**



# State of Utah

## **Adjustable Rate General Obligation Highway Bonds, Series 1999 A, B, C & D**

The \$358,000,000 Adjustable Rate General Obligation Highway Bonds, Series 1999 A, B, C & D (the “Bonds”), dated on the date of delivery, of the State of Utah as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, NY (“DTC”). DTC will act as securities depository for the Bonds, and purchases of beneficial ownership interests in the Bonds will be made in book—entry form in the denominations of (i) \$100,000 and integral multiples of \$5,000 in excess thereof when interest is payable in a Commercial Paper Mode, (ii) \$100,000 and any integral multiples thereof when interest is payable in a Daily Mode or Weekly Mode, and (iii) \$5,000 and integral multiples thereof when interest is payable in a Long Term Mode or Fixed Rate Mode. See “THE BONDS—Book—Entry Only System” herein.

The Bonds will initially bear interest in the Weekly Mode and the first Interest Payment Date for the Bonds will be Tuesday, June 1, 1999. The initial Weekly Rate for each series of Bonds, and each subsequent Weekly Rate will be determined by the Remarketing Agents for the Bonds, initially Goldman, Sachs & Co., New York, NY with respect to the Series 1999A and Series 1999B Bonds; and PaineWebber Incorporated, New York, NY with respect to the Series 1999C and Series 1999D Bonds.

The Bonds are subject to redemption prior to maturity as described more fully under the heading “THE BONDS—Redemption Provisions” herein. The Bonds are subject to tender for purchase under certain circumstances. See “THE BONDS—Tender Provisions” herein. From the date of initial delivery of the Bonds through May 18, 2000 liquidity for the payment of the purchase price of the Bonds will be provided by separate Standby Bond Purchase Agreements with

## **The Toronto–Dominion Bank**

Acting through its Houston Agency. See “THE INITIAL LIQUIDITY FACILITIES” herein.

*The Bonds are general obligations of the State of Utah, for the payment of the principal of, premium, if any, and interest on which the full faith, credit and resources of the State of Utah are pledged, and for the payment of which taxes may be levied, without limitation as to rate or amount, on all property in the State of Utah subject to taxation for State of Utah purposes. See “THE BONDS—Security For The Bonds” herein.*

---

**Dated:** Date of Delivery<sup>1</sup>

**Due:** July 1, as shown below

**Series 1999 A—\$89,500,000 Term Bond due July 1, 2016 (CUSIP 917542 JC 7)**

**Series 1999 B—\$89,500,000 Term Bond due July 1, 2016 (CUSIP 917542 JD 5)**

**Series 1999 C—\$89,500,000 Term Bond due July 1, 2016 (CUSIP 917542 JE 3)**

**Series 1999 D—\$89,500,000 Term Bond due July 1, 2016 (CUSIP 917542 JF 0)**

**Price 100%**

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to the making of an informed investment decision. This OFFICIAL STATEMENT is dated May 19, 1999, and the information contained herein speaks only as of that date.*

**Goldman, Sachs & Co.**

**PaineWebber Incorporated**

---

<sup>1</sup> Anticipated to be Thursday, May 20, 1999.

## Table Of Contents

	<u>Page</u>		<u>Page</u>
INTRODUCTION.....	1	Debt Service Schedule Of Outstanding Lease Revenue Bonds (State Building Ownership Authority) (Fiscal Year) .....	37
The Bonds And The Issuer.....	1	State Guaranty Of General Obligation School Bonds.....	41
Security .....	2	No Defaulted Bonds.....	41
Authority And Purpose.....	2	FINANCIAL INFORMATION REGARDING THE STATE OF UTAH.....	42
Tender And Redemption Provisions.....	2	State's Discussion And Analysis Of Financial Condition And Results Of Operations .....	42
Registration, Denominations, Manner Of Payment..	2	Five-Year Financial Summaries.....	46
Transfer Or Exchange.....	3	Ad Valorem Property Tax System.....	50
Tax-Exempt Status.....	3	Budgetary Procedures.....	54
Professional Services.....	3	State Funds And Accounting.....	54
Conditions Of Delivery, Anticipated Date, Manner, And Place Of Delivery .....	4	State Tax System .....	56
Continuing Disclosure.....	4	State Revenues.....	60
Basic Documentation.....	5	Capital Expenditure Authorizations.....	64
Contact Persons.....	5	Investment Of Funds.....	65
THE BONDS.....	5	Retirement Systems .....	66
Authorization And Purpose Of The Bonds .....	5	Risk Management.....	66
Security For The Bonds.....	6	LEGAL MATTERS .....	67
General.....	7	Absence Of Litigation Concerning The Bonds.....	67
Interest Payment .....	7	Miscellaneous Legal Matters .....	67
Determination Of Interest Rates.....	8	Attorney General's Opinion Of Effect Of Legal Proceedings On State's Ability To Make Timely Payments On Bonds.....	67
Optional Tender Of The Bonds.....	10	Tax Exemption.....	68
Mandatory Tender Of The Bonds.....	11	General.....	69
Summary Of Variable Interest Rate Options.....	14	MISCELLANEOUS.....	70
Redemption Provisions .....	15	Year 2000 Compliance.....	70
Estimated Sources And Uses Of Funds.....	16	Bond Ratings.....	70
Plan Of Refunding.....	17	Remarketing Agents.....	70
Book-Entry Only System.....	17	Underwriters.....	70
THE INITIAL LIQUIDITY FACILITIES.....	19	Financial Advisor.....	71
Initial Liquidity Facilities.....	19	Independent Auditors .....	71
Events Of Default.....	20	Additional Information.....	71
Remedies.....	21	APPENDIX A—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1998.....	A-1
THE INITIAL LIQUIDITY PROVIDER .....	22	APPENDIX B—DEMOGRAPHIC AND ECONOMIC DATA REGARDING THE STATE OF UTAH .....	B-1
Certain Information Concerning The Toronto-Dominion Bank.....	22	APPENDIX C—PROPOSED FORM OF OPINION OF BOND COUNSEL.....	C-1
STATE OF UTAH GOVERNMENTAL ORGANIZATION.....	23	APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING.....	D-1
Governmental Departments.....	23	APPENDIX E—DEFINITIONS OF CERTAIN TERMS.....	E-1
Certain Commissions And Agencies .....	23		
DEBT STRUCTURE OF THE STATE OF UTAH ...	26		
Legal Borrowing Authority.....	26		
General Obligation Indebtedness.....	27		
Debt Service Schedule Of Outstanding General Obligation Bonds (Fiscal Year).....	30		
Lease Obligations.....	32		
Revenue Bonds And Notes.....	32		
Covenant Regarding Legislative Appropriations; Utah Housing Finance Agency; State Board of Regents; State Financing Consolidation Act.....	33		
State of Utah, State Building Ownership Authority .	34		
No Defaulted Bonds; Failure To Renew Lease, Or Request Appropriation.....	36		

No dealer, broker, salesperson or any other person has been authorized to give any information or to make any representations, other than those contained in this OFFICIAL STATEMENT, in connection with the offering contained herein, and, if given or made, such additional information or representations must not be relied upon. This OFFICIAL STATEMENT does not constitute an offer to sell or the solicitation of an offer to buy the securities offered hereby where such offer or solicitation would be unlawful. The information set forth herein has been obtained from the State, DTC, the Liquidity Provider and other sources that are believed to be reliable. The information contained in this OFFICIAL STATEMENT is subject to change without notice and neither delivery of this OFFICIAL STATEMENT nor any sale of the Bonds shall create any implication that there has been no change in the information contained herein subsequent to the date hereof.

*In connection with the offering of the Bonds, the Underwriters may engage in transactions that stabilize, maintain, or otherwise affect the price of the Bonds. Such transactions may include overallocments in connection with the purchase of Bonds, the purchase of Bonds to stabilize their market price, the purchase of Bonds to cover the Underwriters' short positions, and the imposition of penalty bids. Such transactions, if commenced, may be discontinued at any time.*

---

*These Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities agency, nor has the Securities and Exchange Commission or any state securities agency passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is a criminal offense.*

This OFFICIAL STATEMENT has been designed to conform, where applicable, to the guidelines presented in Disclosure Guidelines for State and Local Government Securities, published by the Government Finance Officers Association in 1991, as revised.

(This Page Has Been Intentionally Left Blank.)

# OFFICIAL STATEMENT RELATED TO

## \$358,000,000

## State of Utah

### Adjustable Rate General Obligation Highway Bonds, Series 1999 A, B, C & D

#### INTRODUCTION

This introduction is only a brief description of the Bonds, as hereinafter defined and the security and source of payment for the Bonds. This introduction is not a summary of this OFFICIAL STATEMENT. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire OFFICIAL STATEMENT, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire OFFICIAL STATEMENT. The offering of the Bonds to potential investors is made only by means of the entire OFFICIAL STATEMENT.

See the following appendices that are attached hereto and incorporated herein by reference: “APPENDIX A—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1998”; “APPENDIX B—DEMOGRAPHIC AND ECONOMIC DATA REGARDING THE STATE OF UTAH”; “APPENDIX C—PROPOSED FORM OF OPINION OF BOND COUNSEL”; “APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING”; and “APPENDIX E—SUMMARY OF CERTAIN DEFINITIONS”.

Additional information is available at the following internet addresses:

State..... <http://www.state.ut.us>

State Treasurer..... <http://www.treasurer.state.ut.us>

Division of Finance ..... <http://www.finance.state.ut.us>

Governor’s Office of Planning and Budget..... <http://www.governor.state.ut.us/gopb>

Governor’s Office..... <http://www.governor.state.ut.us>

*The information available at the internet sites shown above is provided by the State in the course of its normal operations and has **not** necessarily been reviewed for accuracy or completeness. Such information has not been provided in connection with the offering of the Bonds and is **not** a part of this OFFICIAL STATEMENT.*

#### The Bonds And The Issuer

This OFFICIAL STATEMENT, including the cover page, introduction and appendices, provides information in connection with the issuance and sale by the State of Utah (the “State”) of its \$358,000,000 Adjustable Rate General Obligation Highway Bonds, Series 1999 A, B, C & D (the “Bonds”), initially issued in book-entry only form.

## **Security**

The Bonds are general obligations of the State, for the payment of the principal of, premium, if any, and interest on which the full faith, credit, and resources of the State are pledged, and for the payment of which taxes may be levied, without limitation as to rate or amount, on all property in the State subject to State taxation. The Acts, as defined under the caption “THE BONDS—Authorization And Purpose Of The Bonds”, provide that in each year after issuance of the Bonds, and until all outstanding Bonds are retired, there is levied a direct annual tax on all real and personal property within the State subject to State taxation, sufficient to pay: (a) applicable bond redemption premiums, if any; (b) interest on the Bonds as it becomes due; and (c) principal of the Bonds as it becomes due. The Acts further provide that the direct annual tax imposed under the Acts is abated to the extent money is available from sources other than ad valorem taxes in the sinking funds created by the Acts, for the payment of Bond interest, principal, and redemption premiums, if any. See “FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Ad Valorem Property Tax System” below.

The State expects that moneys will be available from sources other than ad valorem taxes in amounts sufficient to pay principal of and interest on the Bonds when due, thereby enabling the State to deposit such moneys into the sinking funds and abate the ad valorem taxes levied for that purpose. See “THE BONDS—Security For The Bonds” below.

Any Purchase Price (as defined herein) upon optional or mandatory tender of the Bonds is payable solely from and to the extent of remarketing proceeds and moneys made available pursuant to a Liquidity Facility, if any, and is not a general obligation of the State.

## **Authority And Purpose**

As more fully described herein under the caption “THE BONDS—Authorization And Purpose Of The Bonds,” the Bonds are authorized pursuant to resolutions (the “Resolutions,” as described more particularly under “THE BONDS—Authorization And Purpose Of The Bonds” below) of the State Bonding Commission (the “Commission”) and pursuant to the Acts to provide funds: (i) to refund the State’s outstanding \$50 million, 1997 Commercial Paper Notes as defined herein; (ii) to refund the State’s outstanding \$240 million, 1998 Commercial Paper Notes as defined herein; (iii) to pay a portion of the costs of the State’s highway construction projects; and (iv) to pay costs and expenses incident to the issuance of the Bonds. See “THE BONDS—Estimated Sources And Uses Of Funds” below.

## **Tender And Redemption Provisions**

The Bonds are subject to optional and mandatory tender and optional and mandatory redemption prior to maturity as described more fully under the heading “THE BONDS—Optional Tender Of The Bonds”, “—Mandatory Tender Of The Bonds” and “—Redemption Provisions” below. From the date of initial delivery of the Bonds through May 18, 2000 liquidity for the payment of the purchase price of each Series of Bonds will be provided by a separate Standby Bond Purchase Agreement (each a “Liquidity Facility” and collectively, the “Liquidity Facilities”) for each Series of Bonds with The Toronto–Dominion Bank acting through its Houston Agency (the “Liquidity Provider”). Upon the occurrence of certain events the initial Liquidity Facility may terminate without a resultant mandatory tender of the Bonds. See “THE INITIAL LIQUIDITY FACILITIES” below.

## **Registration, Denominations, Manner Of Payment**

The Bonds are issuable only as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, NY (“DTC”). DTC will act as securities depository for the Bonds. Purchases of Bonds will be made in book–entry form only: (1) when interest is payable in a Commercial Paper Mode, in \$100,000 denominations and integral multiples of \$5,000 in excess thereof; (2) when interest is payable in a

Daily Mode or Weekly Mode, in \$100,000 denominations and any integral multiples thereof; and (3) when interest is payable in a Long Term Mode or Fixed Rate Mode, in \$5,000 denominations and integral multiples thereof (collectively, the “Authorized Denominations”); through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds.

The Bonds will initially bear interest in the Weekly Mode and the first Interest Payment Date for the Bonds will be Tuesday, June 1, 1999 and monthly thereafter, (while in a Weekly Mode, on the first business day of each month) by U.S. Bank Trust National Association, Corporate Trust Services, New York, NY, as Paying Agent, to the registered owners of the Bonds. So long as DTC is the registered owner, it is required in turn to remit such principal and interest payments to its Participants, for subsequent disbursements to the Beneficial Owners of the Bonds, as described under the caption “THE BONDS—Book—Entry Only System” below.

### **Transfer Or Exchange**

In the event that the book—entry system is terminated with respect to the Bonds, and in all cases in which the privilege of exchanging or transferring the Bonds is exercised, the State shall execute, and the Bond Registrar shall authenticate and register and deliver, the Bonds in accordance with the provisions of the Bond Resolution. For every such exchange or transfer of the Bonds, the Bond Registrar may require payment by the Bondholder requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such exchange or transfer of the Bonds, but may impose no other charge therefor.

U.S. Bank Trust National Association, Corporate Trust Service, New York, NY, as Bond Registrar, is not required to transfer or exchange any Bond (i) after the Record Date with respect to any Interest Payment Date to and including such Interest Payment Date, or (ii) after the Record Date with respect to any redemption of such Bond. Record Date means (a) with respect to Bank Bonds, Commercial Paper Bonds, Bonds in a Daily Mode or Bonds in a Weekly Mode, the Bond Registrar’s close of business as of the day (whether or not a Business Day) next preceding each Interest Payment Date; and (b) with respect to Bonds in a Long Term Mode or a Fixed Mode, the 15<sup>th</sup> day (whether or not a Business Day) of the month next preceding each Interest Payment Date. See “THE BONDS—Book—Entry Only System” below.

### **Tax—Exempt Status**

Subject to compliance by the State with certain covenants, in the opinion of Chapman and Cutler, Bond Counsel, under present law, interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the opinion of Bond Counsel, under existing laws of the State of Utah, presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act.

See “LEGAL MATTERS—Tax Exemption” below.

### **Professional Services**

As of the date of this OFFICIAL STATEMENT, the following professional offices have served the State in the capacity indicated in connection with the issuance of the Bonds:



*Independent Auditors*

Utah State Auditor  
State Capitol Building, Room 211  
Salt Lake City, UT 84114  
801.538.1025—Fax 801.538.1383

*Escrow Agent, Bond Registrar and Paying Agent*

U.S. Bank Trust National Association  
Corporate Trust Services  
100 Wall St, Ste 1600  
New York, NY 10005  
212.361.2505—Fax 212.809.5459

*Bond Counsel*

Chapman and Cutler  
50 S Main St, Ste 900  
Salt Lake City, UT 84144  
801.533.0066—Fax 801.533.9595

*Liquidity Facility Provider*

The Toronto—Dominion Bank  
31 W 52<sup>nd</sup> St, 18<sup>th</sup> Fl  
New York, NY 10019—6101  
212.827.7739—Fax 212.827.7250

*Initial Remarketing Agents*

Series 1999A and Series 1999B Bonds

Goldman, Sachs & Co.  
Short-Term Trading and Underwriting  
85 Broad St, 24<sup>th</sup> Fl  
New York, NY 10004  
212.902.6635—Fax 212.346.4209

Series 1999C and Series 1999D Bonds

PaineWebber Incorporated  
Short-Term Trading and Underwriting  
1285 Ave of the Americas, 10<sup>th</sup> Fl  
New York, NY 10019  
212.713.4692—Fax 212.713.3797

*Financial Advisor*

Zions Bank Public Finance  
215 S State St, Ste 700  
Salt Lake City, UT 84111—2336  
801.524.2100—Fax 801.524.2109

**Conditions Of Delivery, Anticipated Date, Manner, And Place Of Delivery**

The Bonds are offered, subject to prior sale, when, as, and if issued and received by the Underwriters, subject to the approval of legality by Chapman and Cutler, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the State by its Attorney General. Certain legal matters will be passed on for the Underwriters by their counsel Ballard Spahr Andrews & Ingersoll, LLP. Certain legal matters will be passed upon for the initial Liquidity Provider by its in-house Canadian Counsel and Chapman and Cutler. It is expected that the Bonds, in book-entry form, will be available for delivery in New York, NY for deposit with DTC or a “fast agent” of DTC, on or about Thursday, May 20, 1999.

**Continuing Disclosure**

The State will enter into a Continuing Disclosure Undertaking (the “Undertaking”) for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission (the “SEC Commission”) under the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are described in the proposed form of undertaking in “APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING” below.

*The State has represented that it is in compliance with each and every undertaking previously entered into by it pursuant to the Rule. A failure by the State to comply with the Undertaking will not constitute a default under the Resolutions and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See “APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING” below. A failure by the State to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker,*

dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

See “APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING” for the proposed form of Undertaking.

### **Basic Documentation**

The “basic documentation,” which includes the Bond Resolution and other documentation authorizing the issuance of the Bonds and establishing the rights and responsibilities of the State, the Remarketing Agents, the Liquidity Provider and Owners of the Bonds may be obtained from the “contact persons” as indicated below.

Certain capitalized terms used herein and not otherwise defined shall have the meanings set forth for such terms in “APPENDIX E—SUMMARY OF CERTAIN DEFINITIONS” hereto.

### **Contact Persons**

As of the date of this OFFICIAL STATEMENT, the chief contact person for the State concerning the Bonds is:

Edward T. Alter, Utah State Treasurer and  
Secretary of the State Bonding Commission  
[stmain.ealter@state.ut.us](mailto:stmain.ealter@state.ut.us)  
State Capitol Bldg, Rm 215  
Salt Lake City, UT 84114  
801.538.1042—Fax 801.538.1465

As of the date of this OFFICIAL STATEMENT, additional requests for information may be directed to the Financial Advisor:

D. Kent Michie, Vice President, [kent@zionsbankpf.com](mailto:kent@zionsbankpf.com)  
Carl F. Empey, Vice President, [carl@zionsbankpf.com](mailto:carl@zionsbankpf.com)  
Eric John Pehrson, Vice President, [eric@zionsbankpf.com](mailto:eric@zionsbankpf.com)  
Zions Bank Public Finance  
215 S State St, Ste 700  
Salt Lake City, UT 84111-2336  
801.524.2100—Fax 801.524.2109

## **THE BONDS**

### **Authorization And Purpose Of The Bonds**

The Bonds are authorized pursuant to resolutions adopted by the Commission, on April 7, 1999 and on May 19, 1999 (collectively, the “Bond Resolution”) and pursuant to the Acts described below: (i) to refund the State’s outstanding \$50 million, 1997 Commercial Paper Notes (the “1997 Commercial Paper Notes”); (ii) to refund the State’s outstanding \$240 million, 1998 Commercial Paper Notes (the “1998 Commercial Paper Notes”); (iii) to provide funds to the Utah Department of Transportation (“UDOT”) to pay a portion of the cost of acquiring, constructing, and renovating certain highway projects (the “1999 Project”); and (iv) to pay costs and expenses incident to the issuance of the Bonds. Payment of the principal of, premium, if any, and interest on the Bonds are secured by the full faith, credit, and resources of the State. See “THE BONDS—Security For The Bonds” below.

Certain refunding portions of the Bonds are authorized to be issued pursuant to the provisions of Title 63B, Chapter 6, Part 2 and 3, Utah Code Annotated 1953, as amended (the “Utah Code”) (the “1997 Highway Act”). Pursuant to the 1997 Highway Act, the Commission is authorized to issue and sell not to exceed \$600 million general obligation bonds of the State to provide funds to UDOT to pay all or a portion of the cost of certain highway projects.

Certain refunding portions of the Bonds are authorized to be issued pursuant to the provisions of Title 63B, Chapter 7, Part 2 and 3, Utah Code Annotated 1953, as amended (the “Utah Code”) (the “1998 Highway Act”). Pursuant to the 1998 Highway Act, the Commission is authorized to issue and sell not to exceed \$240 million general obligation bonds of the State to provide funds to UDOT to pay all or a portion of the cost of certain highway projects.

The highway portion of the Bonds are authorized to be issued pursuant to the provisions of Title 63B, Chapter 8, Part 2, Utah Code (the “1999 Highway Act”). Pursuant to the 1999 Highway Act, the Commission is authorized to issue and sell not to exceed \$68 million general obligation bonds of the State to provide funds to UDOT to pay all or a portion of the cost of certain highway projects.

The 1997 Highway Act, the 1998 Highway Act and the 1999 Highway Act are referred to collectively herein as the “Acts.”

In accordance with and subject to the terms, conditions and limitations established by the Acts and in the Bond Resolution, four separate series of general obligation bonds of the State are authorized to be issued in the aggregate principal amount of \$358,000,000. Such series of bonds shall be designated (a) “Adjustable Rate General Obligation Highway Bonds, Series 1999A” in the aggregate principal amount of \$89,500,000 (the “Series 1999A Bonds”), (b) “Adjustable Rate General Obligation Highway Bonds, Series 1999B” in the aggregate principal amount of \$89,500,000 (the “Series 1999B Bonds”), (c) “Adjustable Rate General Obligation Highway Bonds, Series 1999C” in the aggregate principal amount of \$89,500,000 (the “Series 1999C Bonds”), and (d) “Adjustable Rate General Obligation Highway Bonds, Series 1999D” in the aggregate principal amount of \$89,500,000 (the “Series 1999D Bonds”). The Series 1999A Bonds, the Series 1999B Bonds, the Series 1999C Bonds, and the Series 1999D Bonds are known collectively herein as the “Bonds.”

A portion of the Series 1999A Bonds in the aggregate principal amount of \$50,000,000 is authorized to be issued and sold pursuant to the 1997 Highway Act; a portion of the Series 1999A Bonds in the aggregate principal amount of \$39,500,000 is authorized to be issued and sold pursuant to the 1998 Highway Act; the Series 1999B Bonds in the aggregate principal amount of \$89,500,000 is authorized to be issued and sold pursuant to the 1998 Highway Act; the Series 1999C Bonds in the aggregate principal amount of \$89,500,000 is authorized to be issued and sold pursuant to the 1998 Highway Act; a portion of the Series 1999D Bonds in the aggregate principal amount of \$21,500,000 is authorized to be issued and sold pursuant to the 1998 Highway Act; and a portion of the Series 1999D Bonds in the aggregate principal amount of \$68,000,000 is authorized to be issued and sold pursuant to the 1999 Highway Act.

## **Security For The Bonds**

The Bonds are general obligations of the State, for the payment of the principal of, premium, if any, and interest on which the full faith, credit and resources of the State are pledged, and for the payment of which taxes may be levied, without limitation as to rate or amount, on all property in the State subject to State taxation. The Acts provide that each year after issuance of the Bonds and until all outstanding Bonds are retired, there is levied a direct annual tax on all real and personal property within the State subject to State taxation, sufficient to pay: (a) applicable bond redemption premiums, if any; (b) interest on the Bonds as it becomes due; and (c) principal of the Bonds as it becomes due. The Acts further provide that the direct annual tax imposed under the Acts is abated to the extent money is available from sources, other than ad valorem taxes in the sinking funds created by the Acts, for the payment of bond interest, principal, and redemption premiums, if any.

See “FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Ad Valorem Property Tax System” below.

The State expects that moneys will be available from sources other than ad valorem taxes in amounts sufficient to pay principal of and interest on the Bonds when due, thereby enabling the State to deposit such moneys into the sinking funds and abate the ad valorem taxes levied for that purpose.

Any Purchase Price upon optional or mandatory tender of the Bonds is payable solely from and to the extent of remarketing proceeds and moneys made available pursuant to a Liquidity Facility, if any, and is not a general obligation of the State.

## **General**

The Bonds will be issued in the aggregate principal amount as set forth on the cover page of this OFFICIAL STATEMENT. The Bonds will bear interest from the date of delivery and, subject to prior redemption or tender, will mature as set forth on the cover page of this OFFICIAL STATEMENT. The Bonds will initially be in the Weekly Mode. Subject to the provisions of the Bond Resolution, the interest rate of the Bonds may be converted to a Daily Mode, Commercial Paper Mode, Long-Term Mode or Fixed Mode.

The Bonds will be issued as fully registered bonds, initially in book-entry form only, in Authorized Denominations and will be registered in the name of Cede & Co., as nominee for DTC. See “THE BONDS—Book-Entry Only System” below.

U. S. Bank Trust National Association, New York, NY, is the initial bond registrar and paying agent for the Bonds under the Bond Resolution (in such respective capacities, the “Bond Registrar,” and the “Paying Agent”). The Bond Registrar and Paying Agent may resign or be removed and a successor may be appointed in accordance with the Bond Resolution.

Goldman, Sachs & Co., New York, NY (“Goldman”), has been appointed to serve as Remarketing Agent with respect to the Series 1999A and Series 1999B Bonds and PaineWebber Incorporated, New York, NY (“PaineWebber”), has been appointed to serve as Remarketing Agent with respect to the Series 1999C and Series 1999D Bonds. Goldman and PaineWebber are collectively, the initial “Remarketing Agents.”

## **Interest Payment**

The Bonds are issuable as fully registered bonds in Authorized Denominations.

Each Bond will be dated the date of authentication thereof and shall bear interest during the Interest Accrual Period, which will commence on the last Interest Payment Date to which interest has been paid (or, if no interest has been paid in such Mode, from the date of original authentication and delivery of such Bond or the Mode Change Date, as the case may be) to, but not including, the Interest Payment Date on which interest is to be paid, until the entire principal amount of such Bond is paid.

Interest on the Bonds in the Daily Mode, Weekly Mode or Commercial Paper Mode will be computed on the basis of a 365/366-day year for the actual number of days elapsed. Interest on the Bonds in the Long Term Mode or Fixed Mode will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bonds may not bear interest at an interest rate that exceeds the Maximum Rate, which initially will be 10% per annum and which may not exceed 10% per annum except with respect to Bank Bonds.

Interest on the Bonds will be paid on each Interest Payment Date, which will be (i) with respect to Bonds in the Daily Mode or the Weekly Mode, the first Business Day of each month; (ii) with respect to a Commercial Paper Mode, the Purchase Date; (iii) with respect to Bonds in the Long

Term Mode, the first Business Day of each July and January prior to the Purchase Date, and the Purchase Date; (iv) with respect to Bonds in the Fixed Mode, each July 1 and January 1; (v) any Mode Change Date; (vi) any Mandatory Purchase Date; (vii) the Maturity Date (but only with respect to the particular Bonds maturing on that date).

### **Determination of Interest Rates**

The Bonds of each series initially will be issued in a Weekly Mode and bear interest at a Weekly Rate. At the option of the State Treasurer, Bonds of any series in any Mode, other than a Fixed Mode, may be changed to any other Mode at the times and in the manner provided in the Bond Resolution and, after such change, the Bonds of such series will bear interest at the rate applicable to that other Mode. Each day on which one Mode terminates and another Mode begins is referred to as a "Mode Change Date." Any Bond converted to the Fixed Mode may not be changed to another Mode. The Bonds of each series will always be in the same Mode; however, the Bonds of separate Series may be in different Modes at the same time.

The Interest Rates and Interest Periods for the Series 1999A Bonds and the Series 1999B Bonds, initially will be determined by Goldman and the Series 1999C Bonds and the Series 1999D Bonds, initially will be determined by PaineWebber. Unless noted otherwise, the term "Remarketing Agent" means each of the Remarketing Agents acting with respect to the series of Bonds that it has been appointed to remarket. The interest rates determined by the Remarketing Agent and contained in the records of the Bond Registrar, and the determination by the Remarketing Agent of Interest Periods for Commercial Paper Bonds, absent manifest error, will be conclusive and binding upon the State, the Remarketing Agents, the Bond Registrar, the Bank and the Registered Owners and Beneficial Owners of the Bonds.

The Interest Rate for each series of Bonds will be determined by the Remarketing Agent appointed for that Series of Bonds as the rate of interest which, in the judgment of such Remarketing Agent, would cause the Bonds of such series to have a market value as of the date of determination equal to the principal amount thereof (plus accrued interest) taking into account prevailing market conditions and with respect to the Commercial Paper Mode, such Remarketing Agent shall determine the Commercial Paper Rate and the Interest Period for each Commercial Paper Bond (which shall not exceed 270 days) at such rate and for such period as it deems advisable in order to minimize the net interest cost on the Bonds of such Series, taking into account prevailing market conditions; provided, however, that the foregoing shall not prohibit a Remarketing Agent from establishing longer Interest Periods (and at higher Commercial Paper Rates) than are otherwise available at the time of any remarketing if such Remarketing Agent determines that, taking into account prevailing market conditions, a lower net interest cost on the Bonds of such Series can be achieved over the longer Interest Period. Notwithstanding the foregoing, if the Remarketing Agent appointed for a Series has given or received notice that the Bonds of such Series are to be changed from the Commercial Paper Mode to any other Mode or are to be purchased pursuant to a mandatory tender in accordance with the Bond Resolution, such Remarketing Agent shall select Interest Periods which do not extend beyond the applicable Mandatory Purchase Date.

In the event that the appropriate Interest Rate for a series of Bonds is not or cannot be determined for whatever reason, the Bonds of such series shall be automatically converted to the Weekly Mode (without the necessity of complying with the requirement of the Bond Resolution) and the Interest Rate for the affected series of Bonds shall be equal to the BMA Municipal Index; provided, however, that if a Long Term Rate is then in effect for the affected series of Bonds, a Favorable Opinion of Bond Counsel with respect to the change to a Weekly Rate for such series shall be delivered to the Bond Registrar and the related Remarketing Agent. If such Favorable Opinion of Bond Counsel has not been delivered, the Bonds of such series shall remain in a Long Term Mode with an Interest Rate equal to the then most recently effective Interest Rate and with a duration equal to the shortest period during which the Long Term Mode may be in effect which is at least one year and one day (or, if shorter, with a duration ending on the day prior to the applicable Maturity Date). Unless otherwise scheduled to occur, an automatic conversion of the interest rate

determination method pursuant to the Bond Resolution shall not cause a mandatory tender of the Bonds of the affected series.

The Interest Rate in effect for Bonds during any Interest Period and the length of the Interest Period for any Commercial Paper Bonds, shall be available to Beneficial Owners and Registered Owners between 1:00 P.M. and 5:00 P.M., New York City time, from the related Remarketing Agent or the Bond Registrar at their principal corporate office.

#### **Daily Mode**

During the Daily Mode, the related Remarketing Agent will establish the Daily Rate by 10:00 A.M., New York City time, on each Rate Determination Date (each Business Day commencing the first day the Bonds of such series become subject to the Daily Mode). Each such Daily Rate will be in effect for the Interest Period beginning on the Mode Change Date which will be a Business Day and will extend to, but not include, the next Business Day.

#### **Weekly Mode**

During the Weekly Mode, the related Remarketing Agent will establish the Weekly Rate by 4:00 P.M., New York City time, on each Rate Determination Date (generally in the case of the Series 1999A Bonds and the Series 1999B Bonds each Tuesday or, if Tuesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, the Business Day next preceding such Tuesday and in the case of the Series 1999C Bonds and Series 1999D Bonds, each Wednesday or, if Wednesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day next preceding such Wednesday). Each such Weekly Rate will be in effect for the Interest Period beginning on (i) with respect to the Series 1999A Bonds and the Series 1999B Bonds a Wednesday and ending on the following Tuesday, or (ii) with respect to the Series 1999C Bonds and the Series 1999D Bonds a Thursday and ending on the following Wednesday.

#### **Commercial Paper Mode**

During the Commercial Paper Mode for a Series of Bonds, the related Remarketing Agent, with respect to each Commercial Paper Bond that is subject to adjustment, will determine each Commercial Paper Rate for the Interest Period then selected for such Commercial Paper Bond by 1:00 P.M., New York City time, on each Rate Determination Date (the first day of an Interest Period). Each Commercial Paper Rate will be in effect for the Interest Period established by the related Remarketing Agent.

#### **Long Term Mode**

During the Long Term Mode for a Series of Bonds, the related Remarketing Agent will determine the Long Term Rate not later than 12:00 noon, New York City time, on the Rate Determination Date for the Long Term Mode (a Business Day at least one Business Day prior to the first day of an Interest Period). The related Remarketing Agent and the State will determine the length of the Interest Periods. The Long Term Rate will be in effect from and including the first day of such Interest Period through and including the last day thereof.

During any Interest Period in the Long Term Mode for a Series of Bonds, the related Remarketing Agent, with the approval of the State Treasurer, may designate any or all of the mandatory redemption payments set forth in the Bond Resolution as Serial Maturity Dates for the Bonds of such Series.

#### **Fixed Mode**

The Remarketing Agent will determine the Fixed Rate for a Series of Bonds not later than 2:00 P.M., New York City time, on the Rate Determination Date for the Fixed Mode (a Business

Day at least one Business Day prior to the Mode Change Date). The Fixed Rate will be effective from and including the Mode Change Date to the applicable Maturity Date.

### **Changes In Mode**

To effect a change in Mode for a Series of Bonds, the State Treasurer, for and on behalf of the State must give notice of the proposed conversion to the Bond Registrar, the Paying Agent, the related Liquidity Provider and the respective Remarketing Agent not fewer than 30 days prior to the proposed conversion from a Commercial Paper Mode, Daily Mode, or Weekly Mode and not fewer than 45 days before the proposed conversion from a Long Term Mode. The Bond Registrar will give notice by first-class mail to the Registered Owners of the affected Series of Bonds then in a Commercial Paper Mode, a Daily Mode or Weekly Mode not less than 15 days before the proposed Mode Change Date and to Registered Owners of the affected series of Bonds in the Long Term Mode not less than 30 days before the proposed Mode Change Date. Such notice shall state the proposed Mode Change Date, that the Bonds of such Series are subject to mandatory tender for purchase on the Mode Change Date and the other matters prescribed by the Bond Resolution.

Each Mode Change Date must be a Business Day. Additionally, any Mode Change Date from the Commercial Paper Mode must be the last Purchase Date for all Interest Periods set by the Remarketing Agent; and any Mode Change Date from a Long Term Mode must be the Purchase Date of the current Interest Period.

A change in Mode will not become effective unless: (i) if the change is from the Commercial Paper Mode, the Bond Registrar shall have received, prior to the date on which notice of conversion is required to be given to Registered Owners of such Series, written confirmation from the Remarketing Agent for such series that it has not established and will not establish any Interest Rate Periods extending beyond the day before the applicable Mode Change Date; (ii) if the change is from a Daily Mode, Weekly Mode or a Commercial Paper Mode to a Long Term Mode or Fixed Mode, or from a Long Term Mode to a Daily Mode, Weekly Mode or a Commercial Paper Mode, the Bond Registrar shall have been provided, no later than one day before the applicable Mode Change Date, with a Favorable Opinion of Bond Counsel with respect to the change in Mode; and (iii) conversion to a New Mode, other than a Fixed Mode, may be made if the Interest Period will be beyond the expiration date in effect with respect to such series.

If any of the conditions to conversion between Modes with respect to a Series of Bonds as provided in the preceding paragraph have not been satisfied by the applicable Mode Change Date, the New Mode shall not take effect and the method of determining interest on the Bonds of such Series shall be automatically converted to the Weekly Rate on the applicable Mode Change Date and the Interest Rate for the affected Series of Bonds shall be equal to the BMA Municipal Index; provided, however, that if a Long Term Rate is then in effect for the affected Series of Bonds, a Favorable Opinion of Bond Counsel with respect to the change to a Weekly Rate for such Series shall be delivered to the Bond Registrar and the related Remarketing Agent. If such Favorable Opinion of Bond Counsel has not been delivered, the Bonds of such Series shall remain in a Long Term Mode with an Interest Rate equal to the then most recently effective Interest Rate and with a duration equal to the shortest period during which the Long Term Mode may be in effect which is at least one year and one day (or, if shorter, with a duration ending on the day prior to the applicable Maturity Date).

### **Optional Tender Of The Bonds**

#### **Book-Entry Procedures**

For so long as the Bonds are registered in the name of DTC or any nominee thereof, all notices required or permitted to be given by the Registered Owners thereof and the delivery of Bonds will be effected in accordance with the DTC's rules and procedures.

## **Optional Tender of Bonds in the Daily Mode or the Weekly Mode**

The Beneficial Owners of Bonds of each Series in a Daily Mode or a Weekly Mode may elect to have their Bonds (or portions of such Bonds in amounts equal to any Authorized Denomination) purchased at a price equal to the principal amount thereof plus accrued interest, if any, on the Purchase Date (the "Purchase Price"), (i) in the case of Bonds in the Daily Mode, upon delivery of an irrevocable tender notice by telecopy, telegraph, telex, facsimile transmission, time sharing terminal or any electronic means of communication that produces a written record ("Electronic Means") or telephone to the Bond Registrar, directly or through the Beneficial Owner's DTC Participant, not later than 11:00 A.M., New York City time, on any Business Day; and (ii) in the case of Bonds in the Weekly Mode, upon delivery of a tender notice by Electronic Means or telephone to the Bond Registrar, directly or through the Beneficial Owner's DTC Participant, not later than 4:00 P.M. New York City time, on a Business Day not less than seven days before the Purchase Date. Each notice of tender will be delivered to the Bond Registrar at its principal corporate trust office and be in form satisfactory to the Bond Registrar; must state the CUSIP number, the Bond number, Series, and the principal amount of the Bonds to which the notice relates, that the Registered Owner irrevocably demands purchase of such Bond or a specified portion thereof in an amount equal to an Authorized Denomination, the date on which such Bond or portion is to be purchased, and payment instructions with respect to the Purchase Price and will automatically constitute an irrevocable offer to sell the bond (or portions thereof) to which the notice relates on the Purchase Date. The determination of the Bond Registrar as to whether a notice of tender has been properly delivered pursuant to the foregoing will be conclusive and binding upon the Beneficial Owner.

## **Mandatory Tender Of The Bonds**

### **At the End of a Commercial Paper Mode Interest Period**

Each Bond in the Commercial Paper Mode will be subject to mandatory tender for purchase on the day after the last day of each Interest Period applicable to such Bond at the applicable Purchase Price. The Registered Owner of any such Bond must provide the Bond Registrar with payment instructions for the Purchase Price of its Bond on or before the Mandatory Purchase Date.

### **On a Mode Change Date**

Bonds of a series to be converted from one Mode to a different Mode are subject to mandatory tender for purchase on the applicable Mode Change Date at the Purchase Price.

### **At the End of a Long Term Mode Interest Period**

When the Bonds of a series bear interest at a Long Term Rate and a new Long Term Rate is to be determined, the Bonds of such Series shall be subject to mandatory tender for purchase on the effective date of the new Long Term Rate at the applicable Purchase Price.

### **Upon Substitution or Expiration of Liquidity Facility**

On or prior to the 30<sup>th</sup> day next preceding the Substitution Date or the Expiration Date with respect to Bonds of a Series, the Bond Registrar, no later than the 25<sup>th</sup> day next preceding the applicable Substitution Tender Date or Expiration Tender Date, as the case may be, shall give notice to the Holders and the Notice Parties for the affected Series stating: (i) in the case of a Substitution Tender Date, that (A) the Liquidity Facility for such Series is being replaced by an Alternate Liquidity Facility (specifying the Substitution Date); (B) the name of the issuer of such Alternate Liquidity Facility and its short-term ratings; and (C) Bonds of such Series are required to be tendered for purchase (specifying the Substitution Tender Date and the procedures for tender, and stating that if not so tendered Bonds will be deemed tendered and interest thereon will cease to accrue on the applicable Substitution Tender Date); or (ii) in the case of an Expiration Tender Date, that (A) the Liquidity Facility for such Series is scheduled to expire (specifying the Expiration Date);



(B) the State has not arranged for the substitution of an Alternate Liquidity Facility for such Series; and (C) the Bonds of such Series are required to be tendered for purchase (specifying the Expiration Tender Date and the procedures for tender, and stating that if not so tendered Bonds will be deemed tendered and interest thereon will cease to accrue on the applicable Expiration Tender Date).

The failure to mail such notice of mandatory tender as required by either (i) or (ii) in the preceding paragraph with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed shall be conclusively presumed to have been given, whether or not actually received by any Beneficial Owner of Bonds of the affected Series.

Payment of the Purchase Price for Bonds of the affected Series shall be made by wire transfer in immediately available funds by the Bond Registrar by its close of business on such Mandatory Purchase Date.

#### **Upon Certain Events of Default Under Liquidity Facility**

Each Bond in a Daily Mode, Weekly Mode, Commercial Paper Mode or Long Term Mode is subject to mandatory purchase at the Purchase Price on the Business Day which is at least five days prior to the date specified by the related Liquidity Provider as the termination date for its Liquidity Facility in a written notice to all Notice Parties pursuant to such Liquidity Facility that one of the “Events of Default” specified below in subsections (a), (b), (c), (d), (e), (j) or (k) under the heading “THE INITIAL LIQUIDITY FACILITIES—Events Of Default,” has occurred and is continuing under certain circumstances and that the Initial Liquidity Facility is exercising its option described below in subsection (b) under the heading “THE INITIAL LIQUIDITY FACILITIES—Remedies.” The Mandatory Purchase Date with respect to Bonds of the affected Series shall be a Business Day not more than 25 nor less than 15 days after the date such notice is received. No later than the 13<sup>th</sup> day next preceding the Mandatory Purchase Date with respect to Bonds of the affected Series, the Bond Registrar shall give notice to the Holders of Bonds of the affected Series stating that such Bonds are required to be tendered for purchase (specifying the Mandatory Purchase Date and the procedures for tender and stating that if not so tendered Bonds shall be deemed tendered and interest thereon shall cease to accrue on the applicable Mandatory Purchase Date). The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed shall be conclusively presumed to have been given, whether or not actually received by any owner. Payment of the Purchase Price for Bonds of the affected Series shall be made by wire transfer to accounts designated by the Holders in immediately available funds by the Bond Registrar by its close of business on the Mandatory Purchase Date.

Upon the occurrence of certain other Events of Default under the Initial Liquidity Facility the Bank’s obligation to purchase Bonds thereunder will immediately terminate without notice or other action on the part of the Bank and its commitment thereunder shall immediately terminate and be permanently reduced to zero. No mandatory tender will be effected as a result of such termination. See “THE INITIAL LIQUIDITY FACILITIES—Events Of Default,” and “—Remedies” below.

#### **Purchase of the Bonds**

Not later than 11:00 A.M., New York City time, on any Purchase Date or Mandatory Purchase Date, as the case may be, the related Remarketing Agent shall give notice by telephone, Electronic Means or other similar communication to the Bond Registrar of the principal amount of tendered Bonds which were remarketed and those which were not remarketed, if any. Not later than 11:00 A.M., New York City time, on any Purchase Date or Mandatory Purchase Date, as the case may be, the Bond Registrar shall give notice to the State by telephone, Electronic Means or other similar communication, specifying the principal amount of tendered Bonds which the related Remarketing Agent has not remarketed. Not later than 12:00 noon, New York City time, on the Purchase Date or the Mandatory Purchase Date, the related Remarketing Agent shall give notice to the

Bond Registrar by telephone (promptly confirmed in writing or by Electronic Means) of the names, addresses and taxpayer identification numbers of the purchasers, the denominations of Bonds to be delivered to each purchaser and, if available, payment instructions for regularly scheduled interest payments or of any changes in any such information previously communicated.

Any Purchase Price upon optional or mandatory tender of the Bonds is payable solely from and to the extent of remarketing proceeds and moneys made available pursuant to a Liquidity Facility, if any, and is not a general obligation of the State.

When a Book–Entry System is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the applicable Series of Bonds are transferred by Direct Participants on the records of the Security Depository.

(The remainder of this page has been intentionally left blank.)

## Summary Of Variable Interest Rate Options

Mode	Daily	Weekly	Commercial Paper	Long Term	Fixed Rate
<b>Authorized Denominations</b>	\$100,000 and any integral multiple thereof	\$100,000 and any integral multiple thereof	\$100,000 and any integral multiple of \$5,000 in excess thereof	\$5,000 and any integral multiple thereof	\$5,000 and any integral multiple thereof
<b>Method of Interest Payment</b>	Wire transfer of immediately available funds	Wire transfer of immediately available funds	Wire transfer of immediately available funds	Bank check; except owners of \$1,000,000 can receive a wire transfer	Bank check; except owners of \$1,000,000 can receive a wire transfer
<b>Interest Calculation</b>	Actual/365 or 366 days	Actual/365 or 366 days	Actual/365 or 366 days	Twelve 30 day Months	Twelve 30 day Months
<b>Interest Period</b>	Each Business Day to, but excluding, the next Business Day	For Series 1999A and 1999B Bonds, each Wednesday to, and including, the following Tuesday; for Series 1999C and 1999D Bonds, each Thursday to, and including the following Wednesday	Period set by the Remarketing Agent between 1 and 270 days	At least one year period from the Mode Change Date to, but not including, the Purchase Date	From the Mode Change Date to, but not including, the Maturity Date
<b>Record Date</b>	The day preceding an Interest Payment Date	The day preceding an Interest Payment Date	The day preceding an Interest Payment Date	The 15th day of month preceding an Interest Payment Date	The 15th day of month preceding an Interest Payment Date
<b>Interest Payment Dates</b>	<ul style="list-style-type: none"> <li>• 1st Business Day of each month</li> <li>• Mode Change Date</li> <li>• Mandatory Purchase Date</li> <li>• Maturity Date</li> </ul>	<ul style="list-style-type: none"> <li>• 1st Business Day of each month</li> <li>• Mode Change Date</li> <li>• Mandatory Purchase Date</li> <li>• Maturity Date</li> </ul>	<ul style="list-style-type: none"> <li>• The Purchase Date</li> <li>• Mode Change Date</li> <li>• Mandatory Purchase Date</li> <li>• Maturity Date</li> </ul>	<ul style="list-style-type: none"> <li>• 1st Business Date of July and January and Purchase Date</li> <li>• Mode Change Date</li> <li>• Mandatory Purchase Date</li> <li>• Maturity Date</li> </ul>	<ul style="list-style-type: none"> <li>• July 1 and January 1</li> <li>• Mandatory Purchase Date</li> <li>• Maturity Date</li> </ul>
<b>Rate Determination Date</b>	Each Business Day	For Series 1999A and 1999B Bonds, each Tuesday or, if Tuesday is not a Business Day, Wednesday or, if such day is not a Business Day, the Business Day preceding Tuesday; for Series 1999C and 1999D Bonds, each Wednesday or, if Wednesday is not a Business Day, Thursday or, if such day is not a Business Day, the Business Day preceding Wednesday	The first day of each Interest Period	A Business Day at least one Business Day prior to the first day of an Interest Period	A Business Day at least one Business Day prior to the Mode Change Date

## **Redemption Provisions**

### **Optional Redemption of Bonds in the Daily Mode or the Weekly Mode**

Bonds of a Series in the Daily Mode or the Weekly Mode will be subject to redemption at the option of the State, in whole or in part, in Authorized Denominations, on any Interest Payment Date for those Bonds at a redemption price equal to the principal amount thereof, plus, in the case of Bonds in the Daily Mode, interest, if any, accrued from the end of the last Interest Period.

Bonds of a Series in the Commercial Paper Mode are not subject to optional redemption prior to their respective Purchase Dates. Commercial Paper Bonds of a Series will be subject to redemption at the option of the State, in whole or in part, on their respective Purchase Dates at a redemption price equal to the principal amount thereof.

### **Optional Redemption of Bonds in the Long Term Mode and Fixed Mode**

Bonds in a Long Term Mode or Fixed Mode will not be subject to redemption at the option of the State unless the following occurs. Upon receipt by the Bond Registrar of a Favorable Opinion of Bond Counsel, the related Remarketing Agent may establish an optional redemption schedule for the Bonds of such Series, given the duration of the Long Term Mode or the Fixed Mode (as the case may be), by determining and certifying to the Bond Registrar and the State, on a date which is no later than the applicable Mode Change Date with respect to such Series, the periods during which the Bonds of such Series shall not be subject to redemption (the "Call Protection Period"), the redemption premium or premiums (the "Call Premiums"), if any, applicable to the redemption of Bonds after the Call Protection Period and the period or periods during which the Call Premiums shall be effective necessary to establish the applicable Long Term Mode or Fixed Mode with respect to the Bonds of such Series.

### **Mandatory Redemption**

The Series 1999A Bonds in the aggregate principal amount of \$39,500,000, the Series 1999B Bonds in the aggregate principal amount of \$89,500,000, the Series 1999C Bonds in the aggregate principal amount of \$89,500,000, and the Series 1999D Bonds in the aggregate principal amount of \$21,500,000 are subject to mandatory redemption in part in Authorized Denominations, on the first Interest Payment Date applicable to the related Series of Bonds in July 2012, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

The Series 1999D Bonds in the aggregate principal amount of \$68,000,000 are subject to mandatory redemption in part in Authorized Denominations on the first Interest Payment Date applicable to the Series 1999D Bonds in July 2013, at a redemption price equal to 100% of the principal amount of Series 1999D Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

The scheduled mandatory redemption dates and amounts may be converted in whole or in part to Serial Maturity Dates and/or Term Maturity Dates for one or more Series of Bonds upon delivery to the Bond Registrar and the related Remarketing Agent of a Favorable Opinion of Bond Counsel with respect to such conversion prior to the applicable Mode Change Date to a Long Term Mode or Fixed Mode for the affected Series of Bonds.

Upon any purchase or any redemption of Bonds pursuant to the Bond Resolution, the State may direct that an amount equal to the aggregate principal amount of Bonds so purchased or redeemed shall be credited against a part or all of any one or more amounts of Bonds subject to mandatory redemption. Any such direction shall be in writing, shall be delivered to the Bond Registrar and the related Remarketing Agent for the affected Series of Bonds at least 75 days before the scheduled mandatory redemption date and shall state the years in which and the amounts by which the Bonds of such Series subject to mandatory redemption are to be reduced.

## Selection of Bonds for Redemption

Whenever fewer than all the Outstanding Bonds of a Series of a single maturity are to be redeemed, the Bonds to be redeemed will be selected in accordance with the terms of the Letter of Representations in effect for the affected Series. Notwithstanding the foregoing, Bank Bonds shall in all cases be redeemed first. In no event will any Bond be outstanding in a principal amount that is not an Authorized Denomination. Notice of redemption will be provided in accordance with the Letter of Representations.

## Notice and Effect of Redemption

Notice of redemption of Bonds of a Series shall be given by the Bond Registrar by registered or certified mail, not less than 30 nor more than 45 days prior to the redemption date, to the Holder, as of the Record Date, of each Bond of such Series that is subject to redemption, at the address of such Holder as it appears in the registration books of the State kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such owner on or prior to the Record Date. Each notice of redemption shall state the Record Date, the principal amount, the Series designation, the redemption date, the place of redemption, the redemption price and, if less than all of the Bonds are to be redeemed, the distinctive numbers of the Bonds or portions of Bonds of such Series to be redeemed, and shall also state that the interest on the Bonds designated for redemption shall cease to accrue from and after such redemption date and that on the redemption date there will become due and payable on each of the Bonds to be redeemed the principal thereof and interest accrued thereon to the redemption date. Each notice may further state that such redemption shall be conditional upon the receipt by the Paying Agent, on or prior to the date fixed for such redemption, of moneys sufficient to pay the principal of and interest on such Bonds to be redeemed and that if such moneys shall not have been so received said notice shall be of no force and effect and the State shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. Any notice mailed as provided in the Bond Resolution shall be conclusively presumed to have been duly given, whether or not the Bondholder receives such notice. Failure to give such notice or any defect therein with respect to any Bond shall not affect the validity of the proceedings for redemption with respect to any other Bond.

## Estimated Sources And Uses Of Funds

The proceeds from the sale of the Bonds (exclusive of any accrued interest upon the delivery thereof) are estimated to be derived from the sources and applied to the uses as set forth below:

### *Sources of Funds:*

Par amount of Bonds.....	\$358,000,000.00
Cash contribution from the State.....	<u>121,582.20</u>
Total.....	<u>\$ 358,121,582.20</u>

### *Uses of Funds:*

Escrow Account.....	\$290,121,582.20
Project Fund.....	66,819,085.00
Costs of issuance (1).....	<u>1,180,915.00</u>
Total.....	<u>\$ 358,121,582.20</u>

- 
- (1) Costs of issuance include underwriters' fees, financial advisor fees, escrow fees, rating fees, legal fees, printing and other miscellaneous expenses.

## **Plan Of Refunding**

The State has previously issued its 1997 Commercial Paper Notes and its 1998 Commercial Paper Notes, the original proceeds of which were used for construction of various State highway projects.

Proceeds from the Bonds in the aggregate amount of \$290,000,000 shall be deposited with U.S. Bank Trust National Association, Corporate Trust Services, New York, NY, as Escrow Agent (the “Escrow Agent”), pursuant to an Escrow Agreement dated as of May 20, 1999 (the “Escrow Agreement”) to establish an irrevocable trust escrow fund (the “Escrow Fund”), consisting of cash and noncallable direct full faith and credit obligations of the United States of America (in the amount of \$273.5 million (the “Government Securities”)) and investments in the Public Treasurers Investment Fund. Such investments in the Public Treasurers Investment Fund will be applied to pay principal of and interest on (i) \$5 million aggregate principal amount of Refunded 1998 Commercial Paper Notes on or prior to June 1, 1999 and (ii) \$11.5 million aggregate principal amount of Refunded 1997 Commercial Paper Notes on or prior to June 8, 1999. The Government Securities in the Escrow Fund will be applied to pay principal of and interest on the balance of the 1997 Commercial Paper Notes and the 1998 Commercial Paper Notes on or prior to August 16, 1999.

Amounts in the Escrow Fund shall be used to redeem on or before Monday, August 16, 1999, \$50 million of the 1997 Commercial Paper Notes (the “Refunded 1997 Commercial Paper Notes”) and \$240 million of the 1998 Commercial Paper Notes (the “Refunded 1998 Commercial Paper Notes”) (collectively, the “Refunded Commercial Paper Notes”), at a redemption price of 100% of the principal amount thereof plus accrued interest thereon to the redemption date.

The cash and investments held in the Escrow Fund will bear interest and mature in amounts sufficient to pay (a) the interest falling due on the Refunded Commercial Paper Notes through the respective due dates of the Refunded Commercial Paper Notes and (b) principal on the Refunded Commercial Paper Notes, as such becomes due and payable.

## **Book–Entry Only System**

DTC will act as securities depository for the Bonds. The Bonds will be initially issued as fully–registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). Initially, one fully–registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or a “fast agent” of DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book–entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants (“Direct Participants”) include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of ownership interests in Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each interest in a Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

As long as the book-entry system is in effect, redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

As long as the book-entry system is in effect, principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

DTC's internet site (<http://www.dtc.org>) contains detailed information regarding DTC's progress and plans to support industry preparations for the impending date change at the end of the decade. DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to security holders, book-entry deliveries and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.*

The State, the Bond Registrar and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purpose of payment of the principal of and interest on the Bonds, giving any notice permitted or required to be given to registered owners under the Bond Resolution, registering the transfer of Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. The State, the Bond Registrar and the Paying Agent shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the State.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein and in the Bond Resolution to the Bondowners or registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

*Neither the State, the Bond Registrar nor the Paying Agent will have any responsibility or obligation to any Participants of DTC, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Participants, Indirect Participants or Beneficial Owners of the Bonds.*

## **THE INITIAL LIQUIDITY FACILITIES**

### **Initial Liquidity Facilities**

The initial Liquidity Facilities will be provided by the Liquidity Provider. The initial Liquidity Facilities shall be in an amount sufficient to pay the purchase price of the respective Series of Bonds equal to the principal of and up to 39 days' accrued interest at a maximum rate of 10% per annum on the Bonds tendered for purchase for which remarketing proceeds are not available. The initial Liquidity Facilities will expire on May 18, 2000, unless extended or renewed in accordance



with their terms or earlier terminated upon the occurrence of certain events (the “Termination Date”).

The initial Liquidity Facilities provide that the Liquidity Provider is required to extend credit to the State through the payment by the Initial Liquidity Provider of the Purchase Price (as hereinafter defined) of related Bonds (each extension of credit a “Liquidity Advance”) from time to time, during the period as of May 20, 1999 to the Termination Date, in order to provide a source of funds for the purchase of tendered Bonds.

If by 12:00 P.M. (New York City time) on any Business Day prior to the Termination Date, the Liquidity Provider receives written notice of the request for a Liquidity Advance from the Trustee substantially in the form set forth in the initial Liquidity Facility (any such notice being referred to as an “Advance Notice”), the Liquidity Provider will, unless the Liquidity Provider determines that any applicable condition specified in such initial Liquidity Facility is not satisfied, transfer not later than 3:00 P.M. (New York City time) on the Purchase Date to the Paying Agent in immediately available funds of the Liquidity Provider, an amount equal to the aggregate Purchase Price of such Bonds as specified in such Advance Notice. “Purchase Date” means a Business Day on which the Liquidity Provider is obligated to extend credit to the State in the form of Liquidity Advances pursuant to the initial Liquidity Facility.

## **Events Of Default**

Each of the following events shall constitute an “Event of Default” under each Liquidity Facility:

(a) The State shall fail to pay to the Bank, within five Business Days after written demand by the Bank, any amount payable under an initial Liquidity Facility, other than the amounts referenced in paragraph (g) below; or

(b) Any representation, warranty, certification, or statement made by the State in the initial Liquidity Facility or in any Related Document or in any certificate, financial statement, or other document, delivered pursuant to such initial Liquidity Facility or any Related Document shall (in any such case) have been incorrect or untrue in any materially adverse respect when made or deemed to have been made; or

(c) The State shall default in the due performance or observance of any term, covenant, or agreement contained in an initial Liquidity Facility; or

(d) The State shall default in the due performance or observance of any term, covenant, or agreement contained in an initial Liquidity Facility (other than those covered by clause (a), (b), or (c) above) and such failure shall remain unremedied for a period of 30 days after the Bank shall have given the State written notice of such default; provided that so long as the State shall be proceeding with due diligence to remedy any default in the due performance or observance of such covenants which, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days, then such 30 day period shall be extended to the extent as shall be necessary to enable the State to begin and complete the remedying of such default through the exercise of due diligence; or

(e) The State shall default in the due performance or observance of any term, covenant, or agreement contained in any of the Related Documents and the same shall not have been cured within any applicable cure period; or

(f) (i) The State shall become insolvent or admit in writing its inability to pay its debts as they mature, or shall apply for, consent to or acquiesce in the appointment of a trustee, custodian, liquidator, or receiver for itself, or shall take any action to authorize or effect any of the foregoing; or (ii) in the absence of any such application, consent, or acquiescence, a trustee, custodian, liquidator, or receiver shall be appointed for its or for a substantial part of its prop-

erty or revenues and shall not be discharged within a period of 60 days; or (iii) the State Legislature imposes a debt moratorium, debt restructuring, or comparable restriction on repayment when due and payable of the principal of or interest on the Bonds, any initial Liquidity Facility, or any Bonded Debt by the State; or (iv) all, or any substantial part, of the property of the State shall be condemned, seized, or otherwise appropriated, or any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding shall be instituted by or against the State (or any action shall be taken to authorize or effect the institution by it of any of the foregoing) and if instituted against it, shall be consented to or acquiesced in by it, or shall not be dismissed within a period of 60 days; or

(g) The State shall fail to pay any amount of principal of or interest on any Liquidity Advance when the same shall become due and payable pursuant to the related initial Liquidity Facility or fail to pay any principal of or interest on any Bond (except a failure to pay principal of or interest on any Bond as a result of the failure of the Liquidity Provider to make a Liquidity Advance under the initial Liquidity Facility); or

(h) Any initial Liquidity Facility or the Bond Resolution at any time after its execution and delivery, or any Bond shall, for any reason, cease to be valid and binding on the State or in full force and effect or shall be declared to be null and void, in each case, pursuant to a final administrative determination or judicial decision from which there shall not exist any further right of appeal or against which a timely appeal shall not have been filed by the State; or the validity or enforceability of such initial Liquidity Facility, the Bond Resolution, or any Bond shall be contested (i) by the State or (ii) by any governmental agency or authority having jurisdiction over the State, unless with respect to clause (ii) above, the same is being contested by the State in good faith and by appropriate proceedings; or the State shall deny that it has any or further liability or obligation under such initial Liquidity Facility, the Bond Resolution, or any Bond; or

(i) The State shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, demand, or otherwise) any Bonded Debt of the State, or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract, or instrument providing for the creation of or concerning such Bonded Debt;

(j) an “Event of Default” shall occur under any of the other Liquidity Facilities relating to the other Series of Bonds; or

(k) The State’s general obligation debt shall be rated below “BBB”, “BBB” or “Baa” (or their equivalent), respectively, by S&P, Fitch or Moody’s or such rating shall be withdrawn or suspended.

## **Remedies**

If any Event of Default shall have occurred and be continuing the Liquidity Provider may take the following actions:

(a) Upon the occurrence of any Event of Default described in subsection (f), (g), (h) or (i) set forth above, (i) the Bank’s obligation to purchase Bonds under the related initial Liquidity Facility shall immediately terminate without notice or other action on the part of the Liquidity Provider and its Available Commitment, Available Principal Commitment and Available Interest Commitment shall each immediately terminate and be permanently reduced to zero, and (ii) all accrued fees and other amounts due and outstanding under the related initial Liquidity Facility shall be forthwith due and payable without demand, presentment, protest or other notice whatsoever, all of which are expressly waived by the State.

(b) Upon the occurrence of any other Event of Default, the Liquidity Provider may, in its sole and absolute discretion, (i) terminate its obligations under the related initial Liquidity Facility and permanently reduce its Available Commitment, Available Principal Commitment and Available Interest Commitment to zero by written notice to the Bond Registrar (such termination and reduction to be effective 30 days after such notice is received by the Bond Registrar), and (ii) declare all accrued fees and other Obligations outstanding under the related initial Liquidity Facility to be immediately due and payable without further demand, presentment, protest or other notice whatsoever, all of which are expressly waived by the State.

(c) Upon the occurrence of any Event of Default, the Bank may take any action permitted by law or equity.

## **THE INITIAL LIQUIDITY PROVIDER**

### **Certain Information Concerning The Toronto–Dominion Bank**

The Toronto–Dominion Bank, collectively with its subsidiaries referred to as TD Bank Financial Group, is a Canadian chartered bank subject to the provisions of the Bank Act (Canada). The Bank was formed through the amalgamation on February 1, 1955 of The Bank of Toronto (established 1855) and The Dominion Bank (established 1869). As of April 30, 1998, the Bank was the fifth largest chartered bank in Canada in terms of assets.

TD Bank Financial Group offers a wide range of financial products and services to individuals, corporate and commercial enterprises, financial institutions and governments throughout Canada. Personal banking services include personal and residential mortgage loans, mutual funds, credit card facilities, trust services and automated banking facilities. The Bank conducts the largest discount brokerage operation in Canada. The Bank services the financial needs of Canadian businesses through its domestic divisions and its corporate and investment banking group supported by a wide range of industry and banking specialists. The Bank is active in arranging mergers and acquisitions, securities underwriting, private placements, domestic and international capital markets transactions, mutual fund management, money markets and foreign exchange.

Internationally, the Bank offers a broad range of credit, non-credit and financial advisory services to businesses, multinational corporations, government and correspondent banks through offices in the United States and major international financial centers. The Bank offers discount brokerage services through Waterhouse Investor Services, Inc. in the United States. As of October 31, 1998, the Bank provided its services through a network of approximately 900 branches and offices located throughout the Canadian provinces and abroad, and over 2,100 automated banking machines located in Canada.

Net income for the year ended October 31, 1998 was C\$1,121 million, compared to C\$1,088 million for the year ended October 31, 1997. Net income for the three months ended January 31, 1999 was C\$301 million, compared to C\$282 million for the three months ended January 31, 1998.

As at January 31, 1999, the total assets of the Bank were C\$213.5 billion and total shareholders' equity was C\$8.6 billion.

*Incorporation by Reference.* Copies of the Bank's 1998 Annual Statement are available, without charge, upon request by telephone or mail from The Toronto–Dominion Bank, U.S.A. Division, 31 W 52nd St, New York, NY 10019–6101, Attention: Comptroller, Telephone 212.827.7300. Internet address: <http://www.tdbank.ca>.

## STATE OF UTAH GOVERNMENTAL ORGANIZATION

The following description of State government emphasizes those functions of government that might have a direct bearing or effect on the financial condition of the State and the State's bonded indebtedness, and is not intended as a detailed description of all functions of the State's government.

### Governmental Departments

The Constitution of the State (the "State Constitution") divides the powers of government into three distinct departments: the Legislative Department, the Executive Department and the Judicial Department.

#### Legislative Department

The Utah State Legislature (the "Legislature") is composed of a Senate (29 members) and a House of Representatives (75 members). The Legislature meets annually for 45 calendar days beginning the third Monday in January.

The Legislature establishes basic State policies and prescribes administrative functions through its lawmaking, investigative and fiscal powers. The Legislature imposes taxes to provide revenue and makes appropriations to carry out all the activities of State government. The Legislature also provides some financial support of certain local activities, such as roads and schools.

#### Executive Department

The Executive Department consists of the offices of Governor, Lieutenant Governor, State Auditor, State Treasurer, and Attorney General, each of which is an elective office. The terms of office of each of these officials are four years each and run concurrently. Current executive department members and their respective terms in office are as follows:

<u>Office</u>	<u>Person</u>	<u>Time in Office</u>	<u>Expiration of Term</u>
Governor.....	Michael O. Leavitt	six years	January 2001
Lieutenant Governor..	Olene S. Walker	six years	January 2001
State Auditor.....	Auston G. Johnson, III, CPA	three years	January 2001
State Treasurer .....	Edward T. Alter, CPA	18 years	January 2001
Attorney General.....	Jan Graham, J.D.	six years	January 2001

#### Judicial Department

The State Constitution provides that the "judicial power of the State shall be vested in a supreme court, in a trial court of general jurisdiction known as the district court, and in such other courts as the legislature by statute may establish." The State statutes list such other courts as the court of appeals, the circuit courts, the juvenile courts, justices' courts, and the small claim courts. The supreme court, the court of appeals, the district courts, the circuit courts, and the juvenile courts are all courts of record. In addition, most departments and agencies of the State have administrative proceedings which are conducted pursuant to the Utah Administrative Procedures Act by administrative law judges or hearing officers, whose determinations are subject to appeal through the judicial system.

### Certain Commissions And Agencies

The following are State commissions and administrative agencies in finance, administration and planning of State government:

## **Utah State Tax Commission**

The Utah State Tax Commission (the “State Tax Commission”) is a four–member commission with members appointed by the Governor with the consent of the Senate. No more than two members of the State Tax Commission may be of the same political party. The State Tax Commission has a number of operating divisions, each of which is responsible for administering major areas of tax and collection. The State Tax Commission’s powers and responsibilities include, among others, the following:

- administration, supervision and enforcement of the tax laws of the State and the formulation of State tax policy through rules, guidelines and directives;

- assessment and equalization of “centrally–assessed properties” including mines, railroads, public utilities, pipelines and certain other properties;

- administration of funding for the minimum school program and levying the State–wide minimum basic property tax rate based on appropriations set by the Legislature;

- collection of various state taxes, including State sales and use tax, local option sales taxes, individual income tax, corporate franchise (income) taxes, and motor fuel and special fuel taxes;

- collection and distribution of the local option sales taxes and seven additional optional sales taxes to the State’s cities, towns and counties; and

- administration of the State’s motor vehicle registration laws.

## **Department Of Administrative Services**

The Department of Administrative Services (the “Department”) coordinates the agencies that provide administrative support to State government. The Department also provides administrative support and staff services to the Utah State Building Ownership Authority and to the Utah State Building Board.

Among the purposes of the Department are to provide effective, coordinated management of State administrative services, to serve the public interest by providing services in a cost–effective and efficient manner, and by eliminating unnecessary duplication, to enable administrators to respond effectively to technological improvements, to emphasize the service role of State administrative service agencies in meeting the service needs of user agencies, and to protect the public interest by insuring the integrity of the fiscal accounting procedures and policies which govern the operation of agencies and institutions to assure that funds are expended properly and lawfully. The Department is presently composed of the following divisions: Finance; Facilities Construction and Management; Administrative Rules; Archives and Records; Information Technology Services; Purchasing and General Services; Risk Management; Fleet Services; and Debt Collection.

*Division of Finance.* The Director of Finance is appointed by the Executive Director of the Department with the Governor’s approval and serves at the pleasure of the Executive Director. The Director of Finance is the State’s Chief Fiscal Officer and, ex–officio, the State’s Accounting Officer. The statutes creating the Division of Finance give it authority and responsibility to:

- maintain financial accounts for State departments, including work programs, appropriations, allotments and expenditures;

- maintain a central accounting system and approve accounting systems of State departments;

- supervise enforcement of travel rules and regulations;

audit all claims against the State for which an appropriation has been made;

approve proposed expenditures for the purchase of all supplies and services requested by State agencies except institutions of higher education; and

issue financial reports of the State and report financial information to the Governor and Legislature when requested.

### **Governor's Office Of Planning And Budget**

A major function of the Governor's Office of Planning and Budget, in cooperation with the Governor and the Division of Finance, is the budgeting of State finances. The budgeting process is as follows:

*Budget Preparation.* Spending agencies must prepare a contemplated work program and the estimated requirements to accomplish the program, together with the source of funds available for its financing. Budget requests with supporting information and revenue projections are reviewed by the Governor, who transmits his own budget recommendations to the Legislature.

*Review and Adoption.* The Legislature reviews the budget requests, together with all other related information, and adopts a final budget in the amount it deems advisable for each activity in relation to all other functions of the governmental unit. It is primarily the prerogative of the Legislature to determine the major policies and programs.

*Budget Execution.* The spending agencies carry out their planned programs within the limitations prescribed by the Legislature. The Division of Finance and the Governor's Office of Planning and Budget review all planned expenditures by spending agencies to make sure that they conform with and do not exceed the limits authorized by the Legislature. This review is intended primarily to insure that expenditures are authorized by the law.

### **State Bonding Commission**

The Lieutenant Governor (who has been appointed by the Governor to temporarily serve on the Commission in place of the Governor), the State Treasurer, and a third person appointed by the Governor but of a different political party than that of the Governor, constitute the Commission. The Commission exercises the powers and performs the duties prescribed for the Commission by statute, including the Acts, which authorizes the issuance of the Bonds.

Current Commission members and their respective terms in office on the Commission are as follows:

<u>Office</u>	<u>Person</u>	<u>Time in Office</u>	<u>Expiration of Term</u>
Chair.....	Olene S. Walker	six years	January 1, 2001
Secretary/Member.....	Edward T. Alter, CPA	18 years	January 1, 2001
Member.....	Janis R. Kline, CPA	two years	April 1, 2001

### **Department of Transportation**

The Utah Transportation Commission is a five-member citizen commission with members appointed by the Governor. The commission is charged with policy and programming oversight of UDOT. All expenditures for highway construction projects must be authorized by the commission after review and prioritization by UDOT. UDOT is responsible for the planning, design, construction and operation of transportation facilities within the State. The department has jurisdiction over 5,800 miles of highways, two airports and a passenger ferry. UDOT oversees approximately 100 major construction and rehabilitation projects annually.

## DEBT STRUCTURE OF THE STATE OF UTAH

### Legal Borrowing Authority

#### Constitutional and Statutory Limitations on State Indebtedness

*Constitutional.* Article XIV, Section 1 of the State Constitution limits the State to a total general obligation debt not to exceed in the aggregate at any one time an amount equal to 1.5% of the value of the taxable property of the State, as shown by the last assessment for State purposes, previous to the incurring of such debt. Using the estimated 1998 value of \$134,825,000,000, the debt limit of the State is approximately \$2,022,000,000.

As of May 20, 1999 (the scheduled closing date of the Bonds and assuming that the Bonds are issued on that date) the State's total general obligation debt then outstanding will be \$1,268,025,000 (excluding for this purpose portions of the Refunded Commercial Paper Notes refunded with a portion of the proceeds of the Bonds), leaving available to the State approximately \$753,975,000 of additional general obligation borrowing capacity authorized by the State Constitution. See in this section "Authorized and Unissued General Obligation Bonds" below.

*Statutory.* Title 63, Chapter 38c, Utah Code (the "State Appropriations and Tax Limitation Act"), among other things, limits the maximum general obligation borrowing authority of the State. Under the State Appropriations and Tax Limitation Act, the outstanding general obligation debt of the State may not exceed 20% of the maximum allowable appropriations limit provided in that act, which limits State government appropriations based upon a formula that reflects the average of changes in personal income and the combined changes in population and inflation.

In 1997, the Legislature passed legislation which exempts certain general obligation highway bonds from the limitation of the State Appropriations and Tax Limitation Act. See in this section "General Obligation Indebtedness" below.

Under the State Appropriations and Tax Limitation Act, the State may have total outstanding general obligation debt of approximately \$705,912,000 (20% of \$3,529,560,000) for its fiscal year beginning July 1, 1998 and ending June 30, 1999 (the "Fiscal Year Ending June 30, 1999") and approximately \$733,962,600 (20% of \$3,669,813,000) for its fiscal year beginning July 1, 1999 and ending June 30, 2000 (the "Fiscal Year Ending June 30, 2000").

Considering the general obligation bonds that will be outstanding (less the "statutory" exempt highway bonds, in the amount of \$908,000,000) on May 20, 1999, the then *remaining* general obligation borrowing capacity of the State under the State Appropriations and Tax Limitation Act will be approximately \$345,887,000 for the Fiscal Year Ending June 30, 1999. As additional general obligation bonds are issued and outstanding general obligation bonds are retired, the maximum general obligation borrowing authority of the State under the State Appropriations and Tax Limitation Act will fluctuate. The State Appropriations and Tax Limitation Act may be amended in the same manner as any other statute (by majority vote of both houses of the Legislature).

The calculation of the historical constitutional debt limit, the general obligation debt, the additional general obligation debt incurring capacity, and the statutory debt limit for the State for each of the Fiscal Years Ended June 30, 1994 through 1998 is as follows:

	Fiscal Year Ended June 30 (in thousands)_(1)				
	1998	1997	1996	1995	1994 (3)
Taxable Value (2) (4).....	<u>\$93,202,827</u>	<u>\$83,435,302</u>	<u>\$74,212,122</u>	<u>\$65,906,137</u>	<u>\$60,477,874</u>
Fair Market Value or Market Value (4).....	<u>\$125,705,071</u>	<u>\$111,885,862</u>	<u>\$99,271,564</u>	<u>\$77,647,309</u>	<u>\$70,168,225</u>
<b>Constitutional:</b>					
Constitutional Debt Limit (Fair Market Value times 1.5%).....	\$1,885,576	\$1,678,288	\$1,489,074	\$1,164,710	\$1,052,523
Outstanding General Obligation Debt (5).....	<u>(1,202,310)</u>	<u>(367,160)</u>	<u>(413,185)</u>	<u>(430,555)</u>	<u>(394,325)</u>
Additional General Obliga- tion Debt Incurring Capacity ( <i>constitutional</i> )...	<u>\$ 683,266</u>	<u>\$1,311,128</u>	<u>\$1,075,889</u>	<u>\$ 734,155</u>	<u>\$ 658,198</u>
<b>Statutory:</b>					
Statutory Debt Limit.....	\$649,676	\$610,145	\$561,777	\$507,660	\$467,325
Outstanding General Obligation Debt (5).....	<u>(602,310)</u>	<u>(367,160)</u>	<u>(413,185)</u>	<u>(430,555)</u>	<u>(394,325)</u>
Additional General Obliga- tion Debt Incurring Capacity ( <i>statutory</i> ).....	<u>\$ 47,366</u>	<u>\$242,985</u>	<u>\$148,592</u>	<u>\$ 77,105</u>	<u>\$ 73,000</u>

- (1) Rounded to the nearest thousand.
- (2) Taxable values were calculated by reducing the fair market value of primary residential property by 45% for the tax year 1997 (Fiscal Year Ended June 30, 1998), 1996 (Fiscal Year Ended June 30, 1997), and 1995 (Fiscal Year Ended June 30, 1996), 32% for the tax year 1994 (Fiscal Year Ended June 30, 1995), and 29.5% for the tax year 1993 (Fiscal Year Ended June 30, 1994), representing a partial property tax exemption for such property.
- (3) The estimated fair market values reported for tax year 1993 (Fiscal Year Ended June 30, 1994) reflect a 5% reduction for transaction costs with respect to certain property assessed by the county assessor. Such reductions were eliminated, effective for the tax year 1994 (Fiscal Year Ended June 30, 1995).
- (4) These valuation figures include the value associated with the fees in lieu of ad valorem taxes for motor vehicles and other tangible personal property, as discussed in "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—State Tax System—Property Tax" below.
- (5) Beginning in the Fiscal Year Ended June 30, 1998, certain general obligation highway indebtedness is exempt from the State Appropriations and Tax Limitation Act.

(Sources: Property Tax Division, State Tax Commission (as to Taxable Value only) and the Financial Advisor.)

### Authorized and Unissued General Obligation Bonds

After the issuance of the Bonds, the State will have approximately \$67 million aggregate principal amount of unissued additional general obligation bonds, the proceeds of which bonds, when issued, will be used by the Division of Facilities Construction and Management (and other State agencies) for various construction purposes. The State anticipates the issuance of approximately \$38 million of general obligation bonds in June 1999.

### General Obligation Indebtedness

The State has issued general obligation bonds for general building, higher education buildings, highway, water and wastewater facilities, flood control facilities, technology, recreation, and re-funding purposes.

Unless otherwise indicated below, the outstanding general obligation bonds of the State are currently rated "AAA" by Fitch; "Aaa" by Moody's; and "AAA" by S&P, as of the date of this OFFICIAL STATEMENT.



As of the dates indicated, the State expects to have the following principal amounts of general obligation debt outstanding:

Series	Purpose	Original Amount	Final Maturity Date	Outstanding as of June 30, 1998	Outstanding as of May 20, 1999
<b>General Obligation Bonds</b>					
1999A (1)....	Highway projects	\$ 89,500,000	July 1, 2016	\$ 0	\$ 89,500,000
1999B (1)....	Highway projects	89,500,000	July 1, 2016	0	89,500,000
1999C (1)....	Highway projects	89,500,000	July 1, 2016	0	89,500,000
1999D (1)....	Highway projects	89,500,000	July 1, 2016	0	89,500,000
1998A (2)....	Various purpose	265,000,000	July 1, 2012	0	265,000,000
1997F (3)....	Highway projects	205,000,000	July 1, 2012	205,000,000	205,000,000
1997A.....	Capital projects	8,895,000	July 1, 2002	8,895,000	8,895,000
1997B.....	Capital projects	11,250,000	July 1, 2002	11,250,000	11,250,000
1997C.....	Capital projects	36,355,000	July 1, 2003	36,355,000	36,355,000
1997D.....	Computer system	8,500,000	July 1, 2003	8,500,000	8,500,000
1997E (3)....	Highway projects	135,000,000	July 1, 2012	135,000,000	135,000,000
1996.....	Capital projects	20,000,000	July 1, 2002	20,000,000	20,000,000
1995A.....	Capital projects	40,000,000	July 1, 2001	40,000,000	40,000,000
1995B.....	Capital projects	5,000,000	July 1, 2001	5,000,000	5,000,000
1994A.....	Capital projects	50,000,000	July 1, 2000	45,400,000	43,840,000
1994B.....	Capital projects	20,000,000	July 1, 2000	20,000,000	20,000,000
1994C.....	Capital projects	9,500,000	July 1, 2000	9,500,000	9,500,000
1994D.....	Highway projects	12,300,000	July 1, 2000	12,300,000	12,300,000
1994E.....	Highway projects	2,000,000	July 1, 2000	2,000,000	2,000,000
1994F.....	Refunding lease revenue	945,000	July 1, 2000	900,000	885,000
1993A.....	Capital projects	60,000,000	July 1, 1999	60,000,000	60,000,000
1993B.....	Highway projects	10,000,000	July 1, 1999	10,000,000	10,000,000
1992A.....	Capital projects	75,500,000	July 1, 1998	24,275,000	0
1991F.....	Capital projects	9,235,000	July 1, 1998	9,235,000	0
1991G.....	Capital projects	<u>38,700,000</u>	July 1, 1998	<u>38,700,000</u>	<u>0</u>
Total General Obligation Debt....		<u>1,381,180,000</u>		<u>702,310,000</u>	<u>1,251,525,000</u>
<b>Bond Anticipation Notes</b>					
1997A (4)....	Highway projects	130,000,000	Aug. 16, 1999 (6)	130,000,000	0
1997B (4)....	Highway projects	130,000,000	June 8, 1999	130,000,000	11,500,000
1998A (5)....	Highway projects	120,000,000	Aug. 16, 1999 (6)	120,000,000	0
1998B (5)....	Highway projects	<u>120,000,000</u>	June 1, 1999	<u>120,000,000</u>	<u>5,000,000</u>
Total Bond Anticipation Notes....		<u>500,000,000</u>		<u>500,000,000</u>	<u>16,500,000</u>
Total All General Obligation Debt.....		<u>\$1,881,180,000</u>		<u>\$1,202,310,000</u>	<u>\$1,268,025,000</u>

- (1) These bonds are issued as variable rate bonds and are exempt from “statutory” debt limit calculations. Rated “AAA/F1+” by Fitch; “Aaa/VMIG1” by Moody’s; and “AAA/A-1+” by S&P, as of the date of this OFFICIAL STATEMENT.
  - (2) A portion of the proceeds of this bond in the amount of \$210 million was used to retire an equal amount of the 1997A and 1997B Bond Anticipation Notes. A portion of this bond, in the amount of \$210 million, is exempt from “statutory” debt limit calculations.
  - (3) These bonds are exempt from “statutory” debt limit calculations.
  - (4) \$210 million of these notes were refunded in 1998 by the Series 1998A Bonds. As discussed under “THE BONDS—Plan Of Refunding” above, the balance of these notes (in the amount of \$38.5 million) will be retired on or before August 16, 1999. For purposes of this OFFICIAL STATEMENT, the \$38.5 million of notes will be considered refunded. The remaining \$11.5 million will be retired on June 8, 1999.
  - (5) As discussed under “THE BONDS—Plan Of Refunding” above, these notes in the amount of \$235 million, will be retired on or before August 16, 1999. For purposes of this OFFICIAL STATEMENT, the \$235 million of notes will be considered refunded. The remaining \$5 million will be retired on June 1, 1999.
  - (6) To be retired on or before August 16, 1999.
- (Source: Financial Advisor.)

The following table reflects the State's general obligation debt, as measured by population, personal income, taxable value, fair market value and market value for the fiscal years shown.

	Fiscal Year Ended June 30				
	1997	1996	1995	1994	1993
Outstanding General Obligation Debt (000's).....	\$367,160	\$413,185	\$430,555	\$394,325	\$378,290
Debt Ratios:					
Per Capita .....	\$179.21	\$206.35	\$219.78	\$205.81	\$202.73
As % of Total Personal Income.....	0.88%	1.06%	1.20%	1.19%	1.23%
As % of Taxable Value (1).....	0.39%	0.50%	0.58%	0.60%	0.63%
As % of Fair Market Value (1).....	0.29%	0.37%	0.43%	0.51%	0.54%
As % of Market Value (1).....	0.29%	0.37%	0.43%	0.51%	0.52%
Annual Debt Service as % of All Gov- ernmental Fund Expenditures.....	2.00%	2.05%	2.07%	1.97%	1.85%

(1) These valuation figures include the value associated with the fees in lieu of ad valorem taxes for motor vehicles and other tangible personal property, as discussed in "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—State Tax System—Property Tax" below.

(Sources: Division of Finance (as to "Annual Debt Service as % of All Governmental Fund Expenditures" only) and the Financial Advisor.)

The following table reflects the State's general obligation debt, as measured by population, personal income, taxable value, fair market value and market value estimated for this current period which is as of the Fiscal Year Ended June 30, 1998 and of May 20, 1999 (which is the proposed closing date of the Bonds).

	Estimated	
	As of June 30, 1998	As of May 20, 1999
Outstanding General Obligation Debt (000's) (1).....	\$1,202,310	\$1,268,025
Debt Ratios:		
Per Capita		
(1998 population estimate—2,083,238 people) .....	\$577.14	\$608.68
As % of Total Personal Income		
(1998—\$44,300,000,000) .....	2.71%	—
(1999—\$47,000,000,000) .....	—	2.70%
As % of Taxable Value (2)		
(1998—\$99,965,000,000) .....	1.20%	1.27%
As % of Fair Market Value and Market Value (2) (1998—\$134,825,000,000) .....	0.89%	0.94%
Annual Debt Service as % of All Governmental Fund Expenditures.....	2.24%	2.33%

(1) Excluding the Refunded Commercial Paper Notes.

(2) These valuation figures include the value associated with the fees in lieu of ad valorem taxes for motor vehicles and other tangible personal property, as discussed in "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—State Tax System—Property Tax" below.

(Source: Financial Advisor.)

## Debt Service Schedule Of Outstanding General Obligation Bonds (Fiscal Year) (1)

Fiscal Year Ending June 30	Series 1999 A, B, C & D \$358,000,000 (2)		Series 1998A \$265,000,000		Series 1997F \$205,000,000		Series 1997A \$8,895,000		Series 1997B \$11,250,000	
	Principal (3)	Interest (4)	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999.....	\$ 0	\$ 0	\$ 0	\$ 7,213,889	\$ 0	\$ 10,571,500	\$ 0	\$ 489,225	\$ 0	\$ 618,750
2000.....	0	6,265,000	0	13,250,000	0	10,571,500	0	489,225	0	618,750
2001.....	0	12,530,000	0	13,250,000	0	10,571,500	0	489,225	0	618,750
2002.....	20,200,000	12,176,500	26,925,000	12,576,875	12,625,000	10,255,875	0	489,225	0	618,750
2003.....	21,000,000	11,455,500	30,525,000	11,140,625	13,325,000	9,607,125	8,895,000	244,613	11,250,000	309,375
2004.....	21,700,000	10,708,250	38,150,000	9,423,750	14,075,000	8,922,125	—	—	—	—
2005.....	22,400,000	9,936,500	14,975,000	8,095,625	14,825,000	8,162,563	—	—	—	—
2006.....	23,200,000	9,138,500	15,850,000	7,325,000	15,625,000	7,325,188	—	—	—	—
2007.....	24,000,000	8,312,500	16,775,000	6,509,375	16,475,000	6,442,438	—	—	—	—
2008.....	24,900,000	7,456,750	17,750,000	5,646,250	17,375,000	5,511,563	—	—	—	—
2009.....	25,800,000	6,569,500	18,725,000	4,734,375	18,225,000	4,578,125	—	—	—	—
2010.....	26,700,000	5,650,750	19,725,000	3,773,125	19,125,000	3,644,375	—	—	—	—
2011.....	27,600,000	4,700,500	20,750,000	2,761,250	20,100,000	2,663,750	—	—	—	—
2012.....	28,600,000	3,717,000	21,850,000	1,696,250	21,100,000	1,633,750	—	—	—	—
2013.....	29,600,000	2,698,500	23,000,000	575,000	22,125,000	553,125	—	—	—	—
2014.....	30,600,000	1,645,000	—	—	—	—	—	—	—	—
2015.....	31,700,000	554,750	—	—	—	—	—	—	—	—
Totals.....	<u>\$ 358,000,000</u>	<u>\$ 113,515,500</u>	<u>\$ 265,000,000</u>	<u>\$ 107,971,389</u>	<u>\$ 205,000,000</u>	<u>\$ 101,014,502</u>	<u>\$ 8,895,000</u>	<u>\$ 2,201,513</u>	<u>\$ 11,250,000</u>	<u>\$ 2,784,375</u>

Fiscal Year Ending June 30	Series 1997C \$36,355,000		Series 1997D \$8,500,000		Series 1997E \$135,000,000		Series 1996 \$20,000,000		Series 1995A \$40,000,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999.....	\$ 0	\$ 1,999,525	\$ 0	\$ 467,500	\$ 0	\$ 7,029,913	\$ 0	\$ 1,000,000	\$ 0	\$ 2,400,000
2000.....	0	1,999,525	0	467,500	0	7,029,913	0	1,000,000	0	2,400,000
2001.....	0	1,999,525	0	467,500	0	7,029,913	0	1,000,000	0	2,400,000
2002.....	0	1,999,525	0	467,500	8,250,000	6,803,038	0	1,000,000	40,000,000	1,200,000
2003.....	0	1,999,525	4,855,000	333,988	8,700,000	6,336,913	20,000,000	500,000	—	—
2004.....	36,355,000	999,763	3,645,000	100,238	9,175,000	5,845,350	—	—	—	—
2005.....	—	—	—	—	9,675,000	5,339,069	—	—	—	—
2006.....	—	—	—	—	10,200,000	4,804,600	—	—	—	—
2007.....	—	—	—	—	10,775,000	4,227,788	—	—	—	—
2008.....	—	—	—	—	11,350,000	3,619,350	—	—	—	—
2009.....	—	—	—	—	11,950,000	3,020,425	—	—	—	—
2010.....	—	—	—	—	12,625,000	2,424,313	—	—	—	—
2011.....	—	—	—	—	13,325,000	1,781,875	—	—	—	—
2012.....	—	—	—	—	14,075,000	1,096,875	—	—	—	—
2013.....	—	—	—	—	14,900,000	372,500	—	—	—	—
2014.....	—	—	—	—	—	—	—	—	—	—
2015.....	—	—	—	—	—	—	—	—	—	—
Totals.....	<u>\$ 36,355,000</u>	<u>\$ 10,997,388</u>	<u>\$ 8,500,000</u>	<u>\$ 2,304,226</u>	<u>\$ 135,000,000</u>	<u>\$ 66,761,835</u>	<u>\$ 20,000,000</u>	<u>\$ 4,500,000</u>	<u>\$ 40,000,000</u>	<u>\$ 8,400,000</u>

Fiscal Year Ending June 30	Series 1995B \$5,000,000		Series 1994A \$50,000,000		Series 1994B \$20,000,000		Series 1994C \$9,500,000		Series 1994D \$12,300,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999.....	\$ 0	\$ 300,000	\$ 1,560,000	\$ 2,089,230	\$ 0	\$ 940,000	\$ 0	\$ 446,500	\$ 0	\$ 578,100
2000.....	0	300,000	7,130,000	1,889,360	0	940,000	0	446,500	0	578,100
2001.....	0	300,000	36,710,000	862,685	20,000,000	470,000	9,500,000	223,250	12,300,000	289,050
2002.....	5,000,000	150,000	—	—	—	—	—	—	—	—
2003.....	—	—	—	—	—	—	—	—	—	—
2004.....	—	—	—	—	—	—	—	—	—	—
2005.....	—	—	—	—	—	—	—	—	—	—
2006.....	—	—	—	—	—	—	—	—	—	—
2007.....	—	—	—	—	—	—	—	—	—	—
2008.....	—	—	—	—	—	—	—	—	—	—
2009.....	—	—	—	—	—	—	—	—	—	—
2010.....	—	—	—	—	—	—	—	—	—	—
2011.....	—	—	—	—	—	—	—	—	—	—
2012.....	—	—	—	—	—	—	—	—	—	—
2013.....	—	—	—	—	—	—	—	—	—	—
2014.....	—	—	—	—	—	—	—	—	—	—
2015.....	—	—	—	—	—	—	—	—	—	—
Totals.....	<u>\$ 5,000,000</u>	<u>\$ 1,050,000</u>	<u>\$ 45,400,000</u>	<u>\$ 4,841,275</u>	<u>\$ 20,000,000</u>	<u>\$ 2,350,000</u>	<u>\$ 9,500,000</u>	<u>\$ 1,116,250</u>	<u>\$ 12,300,000</u>	<u>\$ 1,445,250</u>

- (1) Preliminary; subject to change. Based on estimated payments (cash basis) falling due in that particular fiscal year.
- (2) These bonds include the \$89.5 million Series 1999A, \$89.5 million Series 1999B, \$89.5 million Series 1999C and \$89.5 million Series 1999D Bonds.
- (3) The principal payments are based on the State's current expectations for the redemption of the Bonds. The State is not required by the Resolution to provide for such payment in advance of the maturity date or mandatory sinking fund redemption dates of the Bonds.
- (4) The Bonds are variable rate interest bonds. Interest based on an assumed coupon of 3.50% per annum.

Fiscal Year Ending June 30	Series 1994E \$2,000,000		Series 1994F \$945,000		Series 1993A \$60,000,000		Series 1993B \$10,000,000		Series 1992A \$75,500,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999.....	\$ 0	\$ 94,000	\$ 15,000	\$ 41,870	\$ 0	\$ 2,640,000	\$ 0	\$ 440,000	\$ 24,275,000	\$ 606,875
2000.....	0	94,000	70,000	39,915	60,000,000	1,320,000	10,000,000	220,000	-	-
2001.....	2,000,000	47,000	815,000	19,153	-	-	-	-	-	-
2002.....	-	-	-	-	-	-	-	-	-	-
2003.....	-	-	-	-	-	-	-	-	-	-
2004.....	-	-	-	-	-	-	-	-	-	-
2005.....	-	-	-	-	-	-	-	-	-	-
2006.....	-	-	-	-	-	-	-	-	-	-
2007.....	-	-	-	-	-	-	-	-	-	-
2008.....	-	-	-	-	-	-	-	-	-	-
2009.....	-	-	-	-	-	-	-	-	-	-
2010.....	-	-	-	-	-	-	-	-	-	-
2011.....	-	-	-	-	-	-	-	-	-	-
2012.....	-	-	-	-	-	-	-	-	-	-
2013.....	-	-	-	-	-	-	-	-	-	-
2014.....	-	-	-	-	-	-	-	-	-	-
2015.....	-	-	-	-	-	-	-	-	-	-
Totals.....	<u>\$ 2,000,000</u>	<u>\$ 235,000</u>	<u>\$ 900,000</u>	<u>\$ 100,938</u>	<u>\$ 60,000,000</u>	<u>\$ 3,960,000</u>	<u>\$ 10,000,000</u>	<u>\$ 660,000</u>	<u>\$ 24,275,000</u>	<u>\$ 606,875</u>

Fiscal Year Ending June 30	Series 1991F \$9,235,000		Series 1991G \$38,700,000		<b>Totals (1)</b>		
	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
1999.....	\$ 9,235,000	\$ 253,963	\$ 38,700,000	\$ 1,064,250	\$ 73,785,000	\$ 41,285,090	\$ 115,070,090
2000.....	-	-	-	-	77,200,000	49,919,288	127,119,288
2001.....	-	-	-	-	81,325,000	52,567,551	133,892,551
2002.....	-	-	-	-	113,000,000	47,737,288	160,737,288
2003.....	-	-	-	-	118,550,000	41,927,664	160,477,664
2004.....	-	-	-	-	123,100,000	35,999,476	159,099,476
2005.....	-	-	-	-	61,875,000	31,533,757	93,408,757
2006.....	-	-	-	-	64,875,000	28,593,288	93,468,288
2007.....	-	-	-	-	68,025,000	25,492,101	93,517,101
2008.....	-	-	-	-	71,375,000	22,233,913	93,608,913
2009.....	-	-	-	-	74,700,000	18,902,425	93,602,425
2010.....	-	-	-	-	78,175,000	15,492,563	93,667,563
2011.....	-	-	-	-	81,775,000	11,907,375	93,682,375
2012.....	-	-	-	-	85,625,000	8,143,875	93,768,875
2013.....	-	-	-	-	89,625,000	4,199,125	93,824,125
2014.....	-	-	-	-	30,600,000	1,645,000	32,245,000
2015.....	-	-	-	-	31,700,000	554,750	32,254,750
Totals.....	<u>\$ 9,235,000</u>	<u>\$ 253,963</u>	<u>\$ 38,700,000</u>	<u>\$ 1,064,250</u>	<u>\$ 1,325,310,000</u>	<u>\$ 438,134,529</u>	<u>\$ 1,763,444,529</u>

(1) Preliminary; subject to change. Based on actual debt payments falling due in that particular fiscal year.

(Source: The Financial Advisor.)

The ratio of debt service expenditures to General Fund expenditures and to all governmental fund type expenditures for the last five fiscal years are shown below:

	Fiscal Year Ended June 30 (in thousands)				
	Estimated 1999 (*)	1998	1997	1996	1995
General Fund					
Expenditures (1).....	\$2,704,394	\$2,591,203	\$2,513,596	\$2,359,468	\$2,213,651
Debt Service Expenditures.....	\$134,685	\$131,075	\$100,651	\$94,426	\$86,572
Ratio Debt Service to General Fund Expenditures.....	4.98%	5.06%	3.98%	4.00%	3.91%
Total All Governmental Funds Expenditures.....	\$5,775,656	\$5,640,948	\$5,043,618	\$4,611,243	\$4,211,434
Ratio Debt Service Expend- itures to All Governmental Fund Expenditures.....	2.33%	2.32%	2.00%	2.05%	2.06%

(\*) Estimates for June 30, 1999 were generated as of March 1999.

(1) Does not include Debt Service Expenditures made in the General Fund.

(Sources: Division of Finance and the 1998 Comprehensive Annual Financial Report.)

## Lease Obligations

The State leases office buildings, other real property, and office and computer equipment. Although the lease terms vary, most leases are subject to annual appropriations from the Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, long-term leases are considered noncancellable for financial reporting purposes and are reported in the General Long-Term Obligation Account Group or appropriate proprietary funds or component units.

Operating leases (leases on assets not recorded in the Balance Sheet) contain various renewal obligations as well as some purchase options. However, due to the nature of the leases, the related assets are not classified as capital assets. Any escalation clauses, sublease rentals and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

The total operating lease expenditures for Fiscal Years Ended June 30, 1998 and June 30, 1997 were \$29,097,000 and \$25,737,000, respectively, for the primary government, and \$13,481,000 and \$12,764,000, respectively, for component units. For a detailed report and description of operating and capital leases see "APPENDIX A—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1998—Notes to the Combined Financial Statements, Note 7. Lease Commitments."

## Revenue Bonds And Notes

Various State agencies have outstanding bonds and notes payable solely from certain specified revenues. None of these bond or note issues are a debt or general obligation of the State and, therefore, such bonds or notes are not applied against the general obligation borrowing capacity of the State.

The majority of the State's revenue bonds and notes are issued by the Utah Housing Finance Agency, the State Board of Regents (student loans and college and university capital projects), and the State of Utah, State Building Ownership Authority. Current information regarding such revenue bonds and notes is provided below.

For a detailed report and description of the various revenue bonds and notes see "APPENDIX A—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1998—Notes to the Combined Financial Statements, Note 8. Bonds and Notes Payable."

### **Covenant Regarding Legislative Appropriations; Utah Housing Finance Agency; State Board of Regents; State Financing Consolidation Act**

As noted above, the State agencies that issue most of the State's revenue bonds are the Utah Housing Finance Agency and the State Board of Regents. The statutes under which these agencies are organized provide that the chairman of each agency shall certify to the Governor on or before December 1 of each year the amount, if any, necessary to restore any capital reserve or debt service reserve fund established by the agency to its required amount. In the case of revenue bonds issued to finance a capital project for an institution of higher education, the chairman of the State Board of Regents may also certify to the Governor on or before December 1 of each year any projected shortfall in the revenues necessary to make debt service payments in the forthcoming calendar year. In addition, the State Treasurer has issued revenue bonds under the State Financing Consolidation Act, as discussed below, and has established debt service reserve funds to secure such bonds. The State Treasurer is authorized to certify to the Governor the amount necessary to restore such reserve funds in the same manner as described above. In each case upon receipt of such a certification, the Governor may then request from the State Legislature an appropriation of the amount so certified. The Governor is not required to request an appropriation from the Legislature and the Legislature is under no obligation to make any appropriation requested by the Governor. The bonds including the covenant to so certify to the Governor are referred to herein as "*State Moral Obligation Bonds*." The revenue bonds issued by the Utah Housing Finance Agency and the State Board of Regents that are not State Moral Obligation Bonds could, under the applicable statutory provisions and the procedures described above, benefit from legislative appropriations to cover debt service reserve fund deficiencies or projected debt service shortfalls, notwithstanding the absence of the issuer covenants referred to in this paragraph.

The amounts of State Moral Obligation Bonds outstanding are set forth below.

*Utah Housing Finance Agency.* The Utah Housing Finance Agency had outstanding as of January 1, 1999 approximately \$916.4 million of single family and multifamily housing revenue bonds, approximately \$149.2 million of which were issued as State Moral Obligation Bonds.

*State Board of Regents.* As of June 30, 1998, the State Board of Regents had approximately \$616 million of student loan revenue bonds outstanding, all of which were issued as State Moral Obligation Bonds. In addition, as of such date, the State Board of Regents had outstanding approximately \$180 million of revenue bonds issued to finance capital projects at the State's institutions of higher education, approximately \$66 million of which were issued as State Moral Obligation Bonds.

*State Financing Consolidation Act.* As of June 30, 1998, the State Treasurer had outstanding approximately \$15 million of revenue bonds under the State Financing Consolidation Act, all of which were issued as State Moral Obligation Bonds. These revenue bonds were issued to provide funds to the State's Drinking Water Board and Board of Water Resources and are secured by and payable from bonds, notes and other obligations issued by certain political subdivisions of the State that are held by the Treasurer.

## State of Utah, State Building Ownership Authority

*Establishment and Statutory Powers.* The State of Utah, State Building Ownership Authority (the “Authority”) was created in 1979 as a body politic and corporate of the State. The Authority is empowered, among other things, to issue its bonds (with the prior approval of the Legislature) to finance the acquisition and construction of facilities to be leased to State bodies at rentals which in the aggregate will be sufficient to pay the principal of and interest on the bonds as they become due and to maintain, operate and insure the facilities. The necessary prior approval of the Legislature for the issuance of bonds is given by specific acts, which acts are passed upon during a General Session of the Legislature.

*Organization.* The Authority is comprised of seven members appointed by the Governor with the consent of the State Senate.

### State Lease Rental Obligation Pledge

The enabling legislation for the Authority provides bonds issued by the Authority shall be payable solely out of rentals or lease payments received by the Authority for the facilities constructed or acquired thereunder, and that, if the rentals paid by a state body to the Authority are insufficient to pay the principal of and interest on such bonds, the Governor may request the Legislature to appropriate additional funds to that body for the payment of increased rentals. The Legislature may, but is not required to, make such an appropriation. *Bonds issued pursuant to authorizing legislation of this type are sometimes referred to herein as “State Lease Rental Obligation Bonds.”*

### Debt Issuance

*Current Bonds Outstanding.* Under the State Facilities Master Lease Program, no debt service reserve fund is created for any bonds issued under the Indenture and Lease. Under this program, all bonds are issued on a parity basis and are cross-collateralized by the facilities subject to the lien of the Indenture and the Mortgages. *Bonds issued under the State Facilities Master Lease Program are not classified as State Moral Obligation Bonds as defined in “DEBT STRUCTURE OF THE STATE OF UTAH—Revenue Bonds and Notes—Covenant Regarding Legislative Appropriations; Utah Housing Finance Agency; State Board of Regents; State Financing Consolidation Act” above. However, such bonds are considered to be State Lease Rental Obligation Bonds.*

The other series of bonds issued by the Authority, as listed below under the caption “Issued Under Separate Stand Alone Legal Documents,” are not issued on a parity basis with bonds issued under the State Facilities Master Lease Program, or each other. Separate debt service reserve funds have been established and funded for each of these other series of bonds. As of the indicated date, the Authority has outstanding the following bonds:

(The remainder of this page has been intentionally left blank.)

*Issued (On A Parity Basis) Under The State Facilities Master Lease Program*

<u>Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Final Maturity Date</u>	<u>Outstanding as of May 20, 1999</u>
1998C (1)	Refunding	\$105,100,000	May 15, 2019	\$105,100,000
1998A (2)	Various purpose	25,710,000	May 15, 2020	25,460,000
1998B (2)	University of Utah	23,091,478	May 15, 2005	23,091,478
1997A (3)	DABC 1997A Facilities	4,150,000	May 15, 2018	4,085,000
1996B (4)	University of Utah	16,875,000	May 15, 2013	16,075,000
1996A (5)	Various purpose	44,725,000	May 15, 2007 (8)	13,485,000
1995A (6)	Various purpose	93,000,000	May 15, 2007 (8)	28,250,000
1994A (7)	Various purpose	30,915,000	May 15, 2005 (8)	<u>10,040,000</u>
Total State Facilities Master Lease Program.....				<u>\$225,586,478</u>

- (1) The Series 1998C Bonds are rated "Aaa" (FSA Insured) by Moody's, and "AAA" (FSA Insured) by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch, or any other rating agency.
- (2) The Series 1998A Bonds and the Series 1998B Bonds are rated "Aaa" (FSA Insured) by Moody's and "AAA" (FSA Insured) by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch, or any other rating agency.
- (3) The Series 1997A Bonds are rated "Aaa" (AMBAC Insured) by Moody's and "AAA" (AMBAC Insured) by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency.
- (4) The Series 1996B Bonds are rated "Aaa" (MBIA Insured) by Moody's and "AAA" (MBIA Insured) by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency.
- (5) Portions of this bond have been refunded by the Series 1998C Bonds. The Series 1996A Bonds maturing on May 15, in the years 1999 through 2007, inclusive, are rated "Aa2" by Moody's and "AA" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency.
- (6) Portions of this bond have been refunded by the Series 1998C Bonds. The Series 1995A Bonds maturing on May 15, in the years 1999 through 2000, inclusive, and 2002 through 2007, inclusive, are not insured but are rated "Aa2" by Moody's and "AA" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency. The payment of the principal of and interest on the Series 1995A Bonds maturing on May 15, 2001, when due is insured by a municipal bond insurance policy issued by AM-BAC Indemnity. These insured Series 1995A Bonds are rated "Aaa" (AMBAC Indemnity Insured) by Moody's, and "AAA" (AMBAC Indemnity Insured) by S&P, as of the date of this OFFICIAL STATEMENT.
- (7) Portions of this bond have been refunded by the Series 1998C Bonds. The Series 1994A Bonds are rated "Aa2" by Moody's, and "AA" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency.
- (8) Final maturity date after portions of this bond were refunded by the Series 1998C Bonds.

*Issued Under Separate Stand Alone Legal Documents*

<u>Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Final Maturity Date</u>	<u>Outstanding as of May 20, 1999</u>
1993A (1).	Human Services Building	\$6,230,000	January 1, 2013	\$5,080,000
1993B (1).	State Board of Education	8,160,000	January 1, 2014	6,780,000
1992A (2).	Employment Secur. (ref.)	26,200,000	August 15, 2011	20,625,000
1992B (2).	Youth Corrections	1,380,000	August 15, 2011	<u>1,120,000</u>
Total Authority's other bonds.....				<u>\$33,605,000</u>



*Summary*

Total State Facilities Master Lease Program Bonds outstanding.....	\$225,586,478
Total Authority's other bonds outstanding.....	<u>33,605,000</u>
Total.....	<u>\$259,191,478</u>

- 
- (1) These outstanding lease revenue bonds of the Authority are rated "Aa2" by Moody's, and "AA" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency.
- (2) These outstanding lease revenue bonds of the Authority are rated "Aa2" by Moody's, and "AA" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency.

(Source: Financial Advisor.)

*Authorized and Unissued Lease Revenue Bonds.* The Authority will have approximately \$34,981,194 of authorized unissued lease revenue bonds which consist of: (i) up to approximately \$14 million of unissued lease revenue bonds authorized by a 1999 act (the proceeds of such bonds, when issued, will be used by the Authority for various building projects) (ii) up to approximately \$19,268,600 of unissued lease revenue bonds authorized by a 1998 act (the proceeds of such bonds, when issued, will be used by the Authority for various building and highway acquisition construction projects), and (iii) up to approximately \$1,712,594 of unissued lease revenue bonds authorized by a 1997 act (the proceeds of such bonds, when issued, will be used by the Authority for various construction projects (approximately \$350,000), and for alcoholic beverage building projects (approximately \$1,362,594)).

*Future Bonds Issuance.* The Authority anticipates the issuance of approximately \$13 million of lease revenue bonds in July 1999.

**No Defaulted Bonds, Failure To Renew Lease, Or Request For Appropriation**

As of the date of this OFFICIAL STATEMENT, neither the Authority nor the State has ever failed to pay when due the principal of and interest on its bonded indebtedness and other payment obligations related thereto. As of the date of this OFFICIAL STATEMENT, neither the Authority nor the State has ever failed to renew an annually renewable lease, nor has the Authority or the Governor ever had cause to request the Legislature for an appropriation to pay rentals for which a previous appropriation was insufficient.

(The remainder of this page has been intentionally left blank.)

**Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority)  
(Fiscal Year)**

***Issued under the State Facilities Master Lease Program***

Fiscal Year Ending June 30	Series 1998C \$105,100,000		Series 1998A \$25,710,000		Series 1998B \$23,091,478		Series 1997A \$4,150,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999.....	\$ 0	\$ 4,310,528	\$ 250,000	\$ 1,085,079	\$ 0	\$ 0	\$ 65,000	\$ 202,263
2000.....	45,000	5,747,370	2,085,000	1,234,665	0	0	135,000	199,273
2001.....	45,000	5,745,660	2,175,000	1,140,840	0	0	140,000	193,063
2002.....	50,000	5,743,905	2,265,000	1,042,965	0	0	145,000	186,623
2003.....	50,000	5,741,930	2,370,000	941,040	0	0	155,000	179,953
2004.....	50,000	5,739,930	2,485,000	822,540	0	0	160,000	172,823
2005.....	55,000	5,737,930	2,615,000	698,290	23,091,478	8,493,522	170,000	165,463
2006.....	1,120,000	5,735,675	705,000	567,540	—	—	180,000	157,643
2007.....	1,170,000	5,688,635	735,000	536,520	—	—	190,000	149,363
2008.....	7,715,000	5,638,325	775,000	503,445	—	—	195,000	140,623
2009.....	8,130,000	5,214,000	805,000	468,570	—	—	205,000	131,458
2010.....	8,575,000	4,766,850	840,000	431,540	—	—	215,000	121,618
2011.....	9,065,000	4,295,225	885,000	392,060	—	—	230,000	111,298
2012.....	8,995,000	3,796,650	920,000	349,580	—	—	240,000	100,028
2013.....	9,490,000	3,301,925	970,000 (t9)	304,500	—	—	250,000	88,028
2014.....	10,010,000	2,779,975	1,025,000 (t9)	253,575	—	—	265,000	75,528
2015.....	9,540,000	2,229,425	1,070,000 (t9)	199,763	—	—	280,000 (t8)	62,013
2016.....	9,950,000 (t10)	1,704,725	1,130,000 (t9)	143,588	—	—	295,000 (t8)	47,663
2017.....	9,835,000 (t10)	1,157,475	1,190,000 (t9)	84,263	—	—	310,000 (t8)	32,544
2018.....	8,940,000 (t10)	616,550	135,000 (t9)	21,788	—	—	325,000 (t8)	16,656
2019.....	2,270,000 (t10)	124,850	135,000 (t9)	14,700	—	—	—	—
2020.....	—	—	145,000 (t9)	7,613	—	—	—	—
Totals.....	<u>\$ 105,100,000</u>	<u>\$ 85,817,538</u>	<u>\$ 25,710,000</u>	<u>\$ 11,244,464</u>	<u>\$ 23,091,478</u>	<u>\$ 8,493,522</u>	<u>\$ 4,150,000</u>	<u>\$ 2,533,924</u>

(t10) Mandatory sinking fund payments from a \$30,995,000 5.50%, term bond due May 15, 2019.

(t9) Mandatory sinking fund payments from a \$5,800,000, 5.25%, term bond due May 15, 2020.

(t8) Mandatory sinking fund payments from a \$1,210,000, 5.125%, term bond due May 15, 2018.

**Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority)  
(Fiscal Year)—continued**

*Issued under the State Facilities Master Lease Program—continued*

Fiscal Year Ending June 30	Series 1996B \$16,875,000		Series 1996A \$44,725,000		Series 1995A \$93,000,000		Series 1994A \$30,915,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999.....	\$ 800,000	\$ 869,340	\$ 890,000	\$ 790,625	\$ 2,825,000	\$ 1,595,710	\$ 1,400,000	\$ 608,646
2000.....	820,000	829,340	1,390,000	741,675	2,965,000	1,450,928	1,470,000	538,646
2001.....	860,000	788,340	1,470,000	665,225	3,125,000	1,298,972	1,540,000	463,676
2002.....	900,000	745,340	1,540,000	584,375	3,275,000	1,138,816	1,620,000	383,596
2003.....	945,000	700,340	1,630,000	499,675	3,450,000	970,972	1,710,000	297,736
2004.....	995,000	653,090	1,720,000	410,025	3,575,000	794,160	1,805,000	205,396
2005.....	1,040,000	603,340	1,820,000	315,425	3,760,000	610,942	1,895,000	106,120
2006.....	1,095,000	551,340	1,905,000	215,325	3,945,000	418,242	0	0 (r)
2007.....	1,150,000	496,590	2,010,000	110,550	4,155,000	216,060	0	0 (r)
2008.....	1,205,000	439,090	0	0 (r)	0	0 (r)	0	0 (r)
2009.....	1,270,000	377,635	0	0 (r)	0	0 (r)	0	0 (r)
2010.....	1,335,000	311,595	0	0 (r)	0	0 (r)	0	0 (r)
2011.....	1,410,000 (t7)	240,840	0	0 (r)	0	0 (r)	0	0 (r)
2012.....	1,485,000 (t7)	164,700	0	0 (r)	0	0 (r)	0	0 (r)
2013.....	1,565,000 (t7)	84,510	0	0 (r)	0	0 (r)	0	0 (r)
2014.....	—	—	0	0 (r)	0	0 (r)	0	0 (r)
2015.....	—	—	0	0 (r)	0	0 (r)	0	0 (r)
2016.....	—	—	0	0 (r5)	0	0 (r)	0	0 (r)
2017.....	—	—	0	0 (r)	0	0 (r)	0	0 (r)
2018.....	—	—	0	0 (r)	0	0 (r4)	0	0 (r3)
2019.....	—	—	0	0 (r6)	—	—	—	—
2020.....	—	—	—	—	—	—	—	—
Totals.....	<u>\$ 16,875,000</u>	<u>\$ 7,855,430</u>	<u>\$ 14,375,000</u>	<u>\$ 4,332,900</u>	<u>\$ 31,075,000</u>	<u>\$ 8,494,802</u>	<u>\$ 11,440,000</u>	<u>\$ 2,603,816</u>

(t7) Mandatory sinking fund payments from a \$4,460,000, 5.40%, term bond due May 15, 2013.

(r) Principal and interest have been refunded by the 1998C Bonds.

(r6) Principal and interest have been refunded by the 1998C Bonds (\$7,960,000, 6.00%, term bond which was due May 15, 2019).

(r5) Principal and interest have been refunded by the 1998C Bonds (\$5,140,000, 6.00%, term bond which was due May 15, 2016).

(r4) Principal and interest have been refunded by the 1998C Bonds (\$18,555,000, 5.75%, term bond which was due May 15, 2018).

(r3) Principal and interest have been refunded by the 1998C Bonds (\$3,425,000, 6.25%, term bond which was due May 15, 2018).

# Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) (Fiscal Year)—continued

## Issued Under Stand Alone Legal Documents

Fiscal Year Ending June 30	Series 1993B; \$8,160,000			Series 1993A; \$6,230,000			Series 1992B; \$1,380,000			Series 1992A; \$26,200,000		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
1999.....	\$ 300,000	\$ 353,261	\$ 653,261	\$ 250,000	\$ 264,565	\$ 514,565	\$ 55,000	\$ 64,908	\$ 119,908	\$ 1,055,000	\$ 1,188,598	\$ 2,243,598
2000.....	315,000	339,761	654,761	260,000	253,315	513,315	60,000	62,030	122,030	1,115,000	1,131,093	2,246,093
2001.....	330,000	325,586	655,586	270,000	241,615	511,615	65,000	58,794	123,794	1,175,000	1,070,408	2,245,408
2002.....	345,000	310,736	655,736	285,000	229,465	514,465	65,000	55,349	120,349	1,240,000	1,005,945	2,245,945
2003.....	360,000	294,866	654,866	300,000	216,355	516,355	70,000	51,703	121,703	1,310,000	936,923	2,246,923
2004.....	380,000	278,126	658,126	315,000	202,405	517,405	75,000	47,714	122,714	1,380,000	863,275	2,243,275
2005.....	395,000	260,076	655,076	330,000	187,443	517,443	80,000	43,373	123,373	1,460,000	784,445	2,244,445
2006.....	415,000	240,820	655,820	345,000	171,355	516,355	85,000	38,669	123,669	1,545,000	699,533	2,244,533
2007.....	440,000	220,070	660,070	360,000	154,105	514,105	90,000	33,638	123,638	1,640,000	608,350	2,248,350
2008.....	460,000	198,070	658,070	380,000	136,105	516,105	95,000	28,319	123,319	1,735,000	511,319	2,246,319
2009.....	485,000	174,610	659,610	400,000	116,725	516,725	100,000	22,713	122,713	1,835,000	408,681	2,243,681
2010.....	510,000	149,633	659,633	425,000	96,125	521,125	105,000	16,819	121,819	1,945,000	300,006	2,245,006
2011.....	540,000 (t2)	123,113	663,113	445,000 (t1)	74,025	519,025	110,000	10,500	120,500	2,060,000	184,863	2,244,863
2012.....	570,000 (t2)	94,763	664,763	470,000 (t1)	50,663	520,663	120,000	3,600	123,600	2,185,000	62,819	2,247,819
2013.....	600,000 (t2)	64,838	664,838	495,000 (t1)	25,988	520,988	—	—	—	—	—	—
2014.....	635,000 (t2)	33,338	668,338	—	—	—	—	—	—	—	—	—
2015.....	—	—	—	—	—	—	—	—	—	—	—	—
2016.....	—	—	—	—	—	—	—	—	—	—	—	—
2017.....	—	—	—	—	—	—	—	—	—	—	—	—
2018.....	—	—	—	—	—	—	—	—	—	—	—	—
2019.....	—	—	—	—	—	—	—	—	—	—	—	—
2020.....	—	—	—	—	—	—	—	—	—	—	—	—
Totals.....	<u>\$ 7,080,000</u>	<u>\$ 3,461,667</u>	<u>\$ 10,541,667</u>	<u>\$ 5,330,000</u>	<u>\$ 2,420,254</u>	<u>\$ 7,750,254</u>	<u>\$ 1,175,000</u>	<u>\$ 538,129</u>	<u>\$ 1,713,129</u>	<u>\$ 21,680,000</u>	<u>\$ 9,756,258</u>	<u>\$ 31,436,258</u>

(t2) Mandatory sinking fund payments from a \$2,345,000, 5.25%, term bond due January 1, 2014.

(t1) Mandatory sinking fund payments from a \$1,410,000, 5.25%, term bond due January 1, 2013.

**Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) (Fiscal Year)—  
continued**

Fiscal Year Ending June 30	Total Bonds issued under State Facilities Master Lease Program			Total Bonds issued under Stand Alone Legal Documents			Total All Lease Obligations		
	Total Principal	Total Interest	Total Debt Service	Total Principal	Total Interest	Total Debt Service	Total Principal	Total Interest	Total Debt Service
1999.....	\$ 6,230,000	\$ 9,462,191	\$ 15,692,191	\$ 1,660,000	\$ 1,871,332	\$ 3,531,332	\$ 7,890,000	\$ 11,333,523	\$ 19,223,523
2000.....	8,910,000	10,741,897	19,651,897	1,750,000	1,786,199	3,536,199	10,660,000	12,528,096	23,188,096
2001.....	9,355,000	10,295,776	19,650,776	1,840,000	1,696,403	3,536,403	11,195,000	11,992,179	23,187,179
2002.....	9,795,000	9,825,620	19,620,620	1,935,000	1,601,495	3,536,495	11,730,000	11,427,115	23,157,115
2003.....	10,310,000	9,331,646	19,641,646	2,040,000	1,499,847	3,539,847	12,350,000	10,831,493	23,181,493
2004.....	10,790,000	8,797,964	19,587,964	2,150,000	1,391,520	3,541,520	12,940,000	10,189,484	23,129,484
2005.....	34,446,478	16,731,032	51,177,510	2,265,000	1,275,337	3,540,337	36,711,478	18,006,369	54,717,847
2006.....	8,950,000	7,645,765	16,595,765	2,390,000	1,150,377	3,540,377	11,340,000	8,796,142	20,136,142
2007.....	9,410,000	7,197,718	16,607,718	2,530,000	1,016,163	3,546,163	11,940,000	8,213,881	20,153,881
2008.....	9,890,000	6,721,483	16,611,483	2,670,000	873,813	3,543,813	12,560,000	7,595,296	20,155,296
2009.....	10,410,000	6,191,663	16,601,663	2,820,000	722,729	3,542,729	13,230,000	6,914,392	20,144,392
2010.....	10,965,000	5,631,603	16,596,603	2,985,000	562,583	3,547,583	13,950,000	6,194,186	20,144,186
2011.....	11,590,000	5,039,423	16,629,423	3,155,000	392,501	3,547,501	14,745,000	5,431,924	20,176,924
2012.....	11,640,000	4,410,958	16,050,958	3,345,000	211,845	3,556,845	14,985,000	4,622,803	19,607,803
2013.....	12,275,000	3,778,963	16,053,963	1,095,000	90,826	1,185,826	13,370,000	3,869,789	17,239,789
2014.....	11,300,000	3,109,078	14,409,078	635,000	33,338	668,338	11,935,000	3,142,416	15,077,416
2015.....	10,890,000	2,491,201	13,381,201	—	—	—	10,890,000	2,491,201	13,381,201
2016.....	11,375,000	1,895,976	13,270,976	—	—	—	11,375,000	1,895,976	13,270,976
2017.....	11,335,000	1,274,282	12,609,282	—	—	—	11,335,000	1,274,282	12,609,282
2018.....	9,400,000	654,994	10,054,994	—	—	—	9,400,000	654,994	10,054,994
2019.....	2,405,000	139,550	2,544,550	—	—	—	2,405,000	139,550	2,544,550
2020.....	145,000	7,613	152,613	—	—	—	145,000	7,613	152,613
Totals.....	<u>\$ 231,816,478</u>	<u>\$ 131,376,396</u>	<u>\$ 363,192,874</u>	<u>\$ 35,265,000</u>	<u>\$ 16,176,308</u>	<u>\$ 51,441,308</u>	<u>\$ 267,081,478</u>	<u>\$ 147,552,704</u>	<u>\$ 414,634,182</u>

(Source: The Authority.)

## **State Guaranty Of General Obligation School Bonds**

Under the Utah School Bond Guaranty Act (the “Guaranty Act”) which took effect on January 1, 1997, the full faith and credit and unlimited taxing power of the State is pledged to guarantee full and timely payment of the principal of and interest on general obligation bonds (“Guaranteed Bonds”) issued by qualifying boards of education of Utah school districts (“local school boards”). The primary purpose of the Guaranty Act is to reduce borrowing costs for local school boards by providing credit enhancement for Guaranteed Bonds.

In the event a local school board is unable to make the scheduled debt service payments on its Guaranteed Bonds, the State is required to make such payments in a timely manner. For this purpose, the State may (a) use any of its available moneys, (b) seek a short-term loan from the Permanent School Fund (although the Fund is not required to make the loan) or (c) issue its short-term general obligation notes. The local school board remains liable to the State for any such payments on Guaranteed Bonds.

The State may seek reimbursement for such payments (plus interest and penalties) by intercepting State financial aid intended for the local school board. See “FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Ad Valorem Property Tax System—Property Tax Act” below. The Guaranty Act also contains provisions to compel the local school board to levy a tax sufficient to reimburse the State for such payments and to provide oversight to assure that the local school board will ultimately be responsible for payment of debt service on the Guaranteed Bonds.

The State Superintendent of Public Instruction is charged by the Guaranty Act with the responsibility of monitoring the financial affairs, condition, and solvency of each local school board in the State and reporting, at least annually, its conclusions to the Governor, the State Legislature and the State Treasurer. The State Superintendent must report immediately to the Governor and the State Treasurer any circumstances suggesting that a local school board will be unable to pay when due its debt service obligations and recommend a course of remedial action.

The State does not expect that it will be required to advance moneys for the payment of debt service on Guaranteed Bonds in the foreseeable future. Accordingly, the State believes that it would normally have sufficient cash available to make such payments. In the event sufficient moneys are not available, the Guaranty Act provides that the State may issue its general obligation notes on an expedited basis in an amount sufficient to make the necessary payment plus cost of issuance. The payments of principal of and interest on such notes from taxes or other identified State revenues is secured by a pledge of the full faith, credit, and resources of the State and can be issued on an expedited basis. The Guaranty Act also provides that such notes do not constitute debt of the State for purposes of the debt limitation of the Utah Constitution.

The State guaranty is extended only to a school district after a review and recommendation of the school district’s application by the State Superintendent of Public Instruction. The State Treasurer has the authority to withhold any guaranty or to terminate the issuance of future guarantees at any time.

As of the date of this OFFICIAL STATEMENT, the State has guaranteed approximately \$743 million principal amount of Guaranteed Bonds. The State cannot predict how many bonds may be guaranteed in future years; no limitation is currently imposed by the Guaranty Act.

As of the date of this OFFICIAL STATEMENT, the State has not been requested to make payments on any Guaranteed Bonds under the provisions of the Guaranty Act.

### **No Defaulted Bonds**

The State has never failed to pay when due the principal of and interest on its bonded indebtedness and other payment obligations related thereto.

## FINANCIAL INFORMATION REGARDING THE STATE OF UTAH

### State's Discussion And Analysis Of Financial Condition And Results Of Operations

#### Current Economic Overview<sup>1</sup>

##### General Context

The State's economy has made a smooth transition from the boom or near-boom conditions of recent years to a more modest rate of growth in 1998. Population, job, and income growth rates in Utah continue to outpace those of the nation, but growth in the economy has moderated because of weaker export markets, low commodity prices, and the recovery of the California economy. Even with this easing of economic activity, the State's economy remains healthy with stable job creation, low unemployment, strong income and population growth, and a well-diversified industrial structure.

##### Specific Economic Performance Measures

The State ranked as the sixth fastest growing state in population during 1998 with a 1.7% increase. Net in-migration occurred for the eighth consecutive year, but dropped to its lowest level since 1988. In the most recent cycle, net in-migration peaked in 1994 at 22,788, and was estimated to be 2,007 in 1998. Natural increase continues to be the major component of the State's population growth, accounting for approximately two-thirds of the State's growth during the decade of the 1990s.

The rate of job growth also peaked in 1994 in this cycle at 6.2% and, while still outperforming that of the nation, has now decelerated for four consecutive years. The State's employment increased by 3.0% in 1998, marking the eleventh year of a record job expansion (at least 3.0% annual growth rate) in the State. The State's rate of job growth ranked eleventh among states during 1998.

Unemployment remains very low at 3.8% in 1998. This rate is lower than the equivalent national rate of 4.5%, but an increase over 1996 and 1997.

Employment in all major industry sectors except mining is growing. In 1998 the strongest employment growth occurred in the construction sector where the value of permit authorized construction in the State reached an all-time record high in 1998 of \$3.8 billion. Construction employment increased at an annual growth rate of 5.8% and was followed by FIRE (finance, insurance, and real estate) expanding at a rate of 4.6% and TCU (transportation, communication, and utilities) growing at a rate of 4.5%. Services and government grew at an annual rate of 4.2% and 2.7%, respectively. Manufacturing and trade were the only major industries in 1998 to increase by less than 2%, except mining employment actually decreased by 2.4%.

Incomes continue to rise in the State, but at lower rates than recent years. Personal income in the State increased by 5.6% in 1998, compared with 5.0% nationally in the same year, and 7.4% in State during 1997. The State's non-agricultural wages increased by 7.1% in 1998, compared with 6.7% nationally in 1998, and 9.2% in State during 1997. Per capita income in the State has increased at a higher rate than the rate with respect to the nation for nine consecutive years.

The State's economy remains well-balanced with a broad base of industries contributing to the current economic expansion. According to Regional Financial Associates, Colorado is the only other western state, including California, with a more diversified economic structure than the State's. The State's economic diversity has increased over time as the industries in which the state

---

<sup>1</sup> This Overview is the product of the Demographic and Economic Analysis Section of the Governor's Office of Planning and Budget.

has previously specialized (federal government and extractive industries) have contracted, while new industries (computer hardware and software, biomedical, tourism, and particular types of manufacturing) have emerged.

Gross state product was forecast by Regional Financial Associates to be \$49.2 billion in 1998 (1992 chain weighted dollars), representing an increase of 1.9% over last year's estimated \$48.3 billion (1992 chain weighted dollars).

Taxable retail sales increased by 4.6% in 1998, compared with 3.3% in 1997.

#### Current Planning Context

The State, like all rapidly growing states, is faced with the challenges of providing infrastructure and public services to a growing population and expanding economy. These challenges are ongoing. State government continues to provide leadership by investing in infrastructure, prudently managing state resources, and participating in long range planning efforts.

Currently, the State is a major partner in a quality growth partnership called "Envision Utah." This is a multi-year, multi-million dollar, citizen-led effort to create a publicly supported quality growth strategy. The State Legislature also passed the Quality Growth Act of 1999 during the 1999 General Legislative Session. This legislation creates a Quality Growth Commission that will manage a critical land conservation fund and make recommendations to the State Legislature about growth issues. Both of these efforts are intended to preserve and enhance the quality of life present in the State.

Salt Lake City is the host city for the 2002 Olympic Winter Games. The 2002 Games are estimated to generate a significant amount of employment, earnings and government revenues prior to and during 2002. This impact occurs because of the externally financed activities of the organizing committee, public and private investment (most notably federal spending for transportation and public safety and private spending in the tourism industry), host broadcast expenditures, and visitor spending. State economic, demographic and financial models indicate that from 1996 through 2002 the Olympics will generate approximately 23,000 job years of employment, \$972 million in earnings, and \$80 to \$140 million in net revenue to state and local government.

Quality growth planning efforts, the economic stimulus of the Olympics, and the ongoing diversification of the State economy position the state favorably for the future. Other factors that bode well for the State's future are its well-educated and youthful workforce; healthy lifestyles; a pro-business regulatory environment; low business taxes; and a solid utility, communications, education and transportation infrastructure.

#### State Highway Improvement Program

In 1998, the State began a 10-year plan to construct and improve various highways throughout the State. The estimated cost of the planned facilities is approximately \$3.6 billion.

The largest component of the plan is the reconstruction and widening of the main north-south interstate highway (I-15) running through the Salt Lake City metropolitan area. The budget for I-15 is \$1.59 billion. The work began in the spring of 1997 is currently on schedule and within budget and is expected to be completed in 2001.

The other projects within the 10-year plan are in various stages: completed, under construction, in the normal planning processes (including environmental studies) or to be planned.

To pay for the \$3.6 billion (including retiring debt issued for this purpose) the State plans to use \$2.1 billion from gas taxes, registration fees, federal funds and other sources plus \$1.39 billion from the State's general fund.



Because the construction schedule for the 10-year plan, particularly the I-15 project, will require the expenditure of moneys faster than funds will be collected, it is necessary for the State to borrow money to provide sufficient cash flows to finance the program. Accordingly, the following Legislatures, authorized the issuance of general obligation bonds: the 1997 Legislature—\$600 million, the 1998 Legislature—\$240 million, and the 1999 Legislature—\$68 million.

### Liquidity and Capital Resources

#### Surplus

The State had an unrestricted General Fund surplus totaling \$29,511,000 at June 30, 1998 of which \$20,103,000 was designated for Fiscal Year Ending June 30, 1999 appropriation and \$9,408,000 was unrestricted undesignated surplus.

#### Budget Reserve Account

The State maintains a Budget Reserve Account (the “Rainy Day Fund”) which can only be used to cover operating deficits or retroactive tax refunds.

The balance of the Rainy Day Fund at the end of Fiscal Year Ended June 30, 1998 was \$88,465,000 (current balance is approximately \$91,946,759). The ceiling, defined in State statute as 8% of the particular year’s general fund appropriation total was \$116,993,000 at June 30, 1998 and is approximately \$126 million for the Fiscal Year Ending June 30, 1999.

### Revenues and Expenditures for Fiscal Years Ending June 30, 1999, 1998 and 1997

The following table summarizes the State’s revenues and expenditures for Fiscal Years Ending June 30, 1999, 1998 and 1997:

#### Analysis of Operations—All Governmental Fund Types

	Estimated (*)					
	Fiscal Year Ending		Fiscal Year Ending		Fiscal Year Ending	
	June 30, 1999		June 30, 1998		June 30, 1997	
	Amount	Increase	Amount	Increase	Amount	Increase
	(in	Over	(in	Over	(in	Over
	thousands)	Prior Year	thousands)	Prior Year	thousands)	Prior Year
Revenues (1)						
Indiv. and corp. income taxes.....	\$1,663,700	6%	\$1,573,769	10%	\$1,429,323	9%
Federal revenues.....	1,483,654	7	1,382,748	5	1,315,279	4
Sales tax.....	1,313,717	2	1,287,849	2	1,259,961	8
Other.....	569,349	(6)	609,367	17	519,575	5
Motor and special fuel taxes.....	297,000	2	290,086	35	214,758	4
Liquor profits.....	28,000	6	26,297	8	24,312	10
Restricted taxes (2).....	<u>25,000</u>	(39)	<u>40,699</u>	1,127	<u>3,316</u>	(87)
Total.....	<u>\$5,380,420</u>	3%	<u>\$5,210,815</u>	9%	<u>\$4,766,524</u>	6%
Expenditures (1).....	<u>\$5,439,424</u>	2%	<u>\$5,308,961</u>	12%	<u>\$4,760,838</u>	10%

(\*) Estimates for June 30, 1999 were generated as of March 1999.

(1) Includes revenues and expenditures for the General Fund and Special Revenue Funds only. Excludes revenues and expenditures for the Debt Service Fund and Capital Projects Fund.

(2) Restricted taxes are the result of a change in accounting standards that require certain taxes to be recognized as revenue when they are measurable and available even if the cash is collected after the end of the fiscal year.

(Source: Division of Finance and the 1998 Comprehensive Annual Financial Report.)

### **Other Considerations**

The State continues to have the highest percentage in the nation of school age population compared to the working age population. There are over 450,000 public education students against a total population of just over 2,000,000. Currently, there is no enrollment growth. However, this trend is expected to change with a 2.1% increase in students in Fiscal Year 2004.

Changes in the federal budget continue to impact the State budget. As the federal government balances its own budget, states are required to pick up an increasing share of the costs.

### **2002 Olympics Winter Games**

Salt Lake City (the "City") is the host city for the 2002 Olympic Winter Games (the "Games"). The operating entity of the Games is the Salt Lake Organizing Committee ("SLOC"), a private non-profit corporation.

Upon the award of the Games to the City, the International Olympic Committee ("IOC") required immediate execution by the City of the Host City Agreement (the "Host City Agreement") under the conditions imposed by the IOC. The Host City Agreement provides, among other things, that the financial responsibility for the organization and staging of the Games is to be assumed by the City and SLOC and that the City and SLOC provide indemnification to the IOC for any damages relating to the Games. In turn, pursuant to an agreement among the State, the City and other parties (the "Indemnity Agreement"), the State agreed that, subject to certain constitutional restrictions, the State would indemnify the City for any liability, loss, cost or expense relating to the Games. The Agreement stipulates that, unless excused by SLOC, all parties who enter into contracts with SLOC agree to waive any claim they have against the City or the State and further agree to look only to SLOC for performance and payment. During the 1999 General Session, the Utah legislature adopted a provision (which subsequently became law) that states that all parties who contract with SLOC must agree in writing to waive any claim against the City or the State and agree to look solely to SLOC for payment and performance. Any contract executed after the 1999 General Session by SLOC that does not contain the aforementioned waiver is void.

Measures to control the budget of SLOC are in place, are being pursued and are being refined from time to time to ensure that the SLOC expenditures are within its revenues.

Using \$59 million of state and local sales tax dollars, the State constructed certain winter sports facilities. SLOC has agreed to repay the \$59 million plus an additional \$40 million to maintain and operate such facilities following the Games. The Authority and the State-owned University of Utah have issued lease revenue bonds and revenue bonds of approximately \$40 million which are intended to be repaid in part by moneys anticipated to be received by SLOC.

There has been substantial publicity over the last several months reporting the use by the Salt Lake Olympic Bid Committee (the predecessor organization to SLOC) of various inducements to influence IOC members to select the City as the site for the Games. Investigations of these matters have been or are now being conducted by various State, federal and Olympic authorities. The results and financial ramifications of such investigations cannot be predicted at this time. It is possible that the foregoing matters could materially and adversely affect SLOC's financial and operating position, including its ability to attract sponsors for the Games and its ability to meet its financial obligations. This may ultimately result in requests being made of the State by the City.

The ultimate liability, if any, of the State as a result of the aforementioned items is not currently determinable.

## **Five-Year Financial Summaries**

The following summaries were extracted from the State's general purpose financial statements for the Fiscal Years Ended June 30, 1994 through June 30, 1998. The summaries have not been audited. Five-year historical summaries have been prepared for the Combined Balance Sheet—All Governmental Fund Types Only; Statement of Revenues, Expenditures and Changes in Fund Balance—General Fund; and Statement of Revenues, Expenditures and Changes in Fund Balance—Special Revenue Funds. The five-year summary Statement of Revenues, Expenditures and Changes in Fund Balances—Special Revenue Funds has been included to show the State's sources of revenue for and expenditures on public education and transportation.

(The remainder of this page has been intentionally left blank.)

# State of Utah

## Combined Balance Sheet—All Governmental Fund Types Only

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	1998	1997	1996	1995	1994
<b>Assets:</b>					
Cash and cash equivalents.....	\$ 360,754	\$ 279,646	\$ 345,774	\$ 254,350	\$ 268,119
Investments.....	663,566	231,035	273,178	248,486	236,385
Receivables:					
Accounts.....	340,517	262,899	277,664	258,280	207,444
Notes / mortgages.....	178,933	152,834	149,356	126,568	96,829
Accrued interest.....	1,624	10,718	1,405	1,270	992
Accrued taxes.....	344,831	309,195	299,052	279,075	239,361
Unbilled.....	5,519	4,294	8,364	7,949	14,527
Due from other funds.....	106,693	75,277	74,451	65,194	36,227
Advance to other funds.....	23,640	—	—	—	—
Inventories.....	10,464	12,007	11,461	33,285	33,270
<b>Total assets.....</b>	<b>\$ 2,036,541</b>	<b>\$ 1,337,905</b>	<b>\$ 1,440,705</b>	<b>\$ 1,274,457</b>	<b>\$ 1,133,154</b>
<b>Liabilities, equity, and other credits:</b>					
<b>Liabilities:</b>					
Vouchers payable.....	\$ 268,088	\$ 247,160	\$ 237,556	\$ 201,428	\$ 187,092
Contracts payable.....	18,484	16,464	23,051	20,650	15,593
Accrued liabilities.....	72,780	53,258	50,095	50,008	128,771
Due to other funds.....	95,313	47,454	45,575	43,549	41,762
Deferred revenue.....	51,332	45,481	42,647	56,387	56,429
Leave/Postemployment benefits.....	202,759	180,468	149,528	132,316	98,331
<b>Total liabilities.....</b>	<b>708,756</b>	<b>590,285</b>	<b>548,452</b>	<b>504,338</b>	<b>527,978</b>
<b>Equity and other credits:</b>					
<b>Fund balances:</b>					
Reserved.....	1,010,987	543,893	500,850	512,090	366,368
Unreserved designated.....	292,947	218,797	395,435	254,143	196,014
Unreserved undesignated.....	23,851	(15,070) (1)	(4,032) (1)	3,886	42,794
<b>Total equity and other credits.....</b>	<b>1,327,785</b>	<b>747,620</b>	<b>892,253</b>	<b>770,119</b>	<b>605,176</b>
<b>Total liabilities, equity, and other credits...</b>	<b>\$ 2,036,541</b>	<b>\$ 1,337,905</b>	<b>\$ 1,440,705</b>	<b>\$ 1,274,457</b>	<b>\$ 1,133,154</b>

(1) This deficit is a result of contractual obligations being greater than reserved fund balance in certain funds. The deficit was anticipated and is being funded from current and subsequent years revenues and appropriations.

(Source: Division of Finance. This summary of financial information has been taken from the State's audited financial statements for the indicated years. This summary itself has not been audited.)

# State of Utah

## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Fund Type — General Fund

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	1998	1997	1996	1995	Restated 1994
Revenues:					
Unrestricted:					
Sales tax.....	\$ 1,251,379	\$ 1,251,735	\$ 1,162,514	\$ 1,054,767	\$ 977,916
Licenses, permits, and fees.....	14,422	13,792	12,811	13,189	13,028
Interest on investments.....	15,411	15,205	16,814	12,321	6,374
Miscellaneous taxes and other.....	162,483	129,719	119,770	134,158	113,354
Total unrestricted.....	<u>1,443,695</u>	<u>1,410,451</u>	<u>1,311,909</u>	<u>1,214,435</u>	<u>1,110,672</u>
Restricted:					
Restricted sales tax.....	9,911	—	—	—	—
Federal contracts and grants.....	1,037,649	986,069	942,465	907,289	855,821
Departmental collections.....	144,097	138,370	136,281	136,360	135,368
Federal mineral lease.....	33,485	34,111	34,718	29,054	33,335
Interest on investments.....	13,227	11,811	9,741	8,595	2,620
Restricted taxes.....	12,661	13,023	10,375	9,017	12,681
Miscellaneous.....	47,342	44,911	38,564	30,163	36,026
Total restricted.....	<u>1,298,372</u>	<u>1,228,295</u>	<u>1,172,144</u>	<u>1,120,478</u>	<u>1,075,851</u>
Total revenues.....	<u>2,742,067</u>	<u>2,638,746</u>	<u>2,484,053</u>	<u>2,334,913</u>	<u>2,186,523</u>
Expenditures:					
Current:					
General government.....	230,030	248,918	234,179	224,622	210,831
Human services.....	300,310	518,119	500,633	491,581	471,443
Corrections.....	143,808	136,711	120,708	106,078	94,528
Health and environmental quality.....	845,137	825,786	773,423	698,530	639,825
Higher education.....	18,770	23,974	19,358	14,526	11,518
Natural resources.....	88,529	91,656	86,899	78,440	72,647
Business, labor, and agriculture.....	42,180	38,911	36,155	34,470	32,001
Community and economic development....	70,446	81,380	81,342	71,101	67,376
Employment and family services.....	285,602	—	—	—	—
Public safety.....	87,703	83,515	79,745	72,860	65,802
Leave/Postemployment benefits.....	21,641	24,398	13,568	26,886	5,912
Debt service:					
Principal retirement.....	—	—	—	—	810
Interest and other charges.....	—	—	—	—	827
Total expenditures.....	<u>2,134,156</u>	<u>2,073,368</u>	<u>1,946,010</u>	<u>1,819,094</u>	<u>1,673,520</u>
Excess revenues over (under) expenditures.....	<u>607,911</u>	<u>565,378</u>	<u>538,043</u>	<u>515,819</u>	<u>513,003</u>
Other financing sources (uses):					
Proceeds of revenue bonds / contracts.....	954	—	2,823	—	5,721
Proceeds of general obligation bonds.....	8,761	—	—	—	—
Operating transfers in.....	176,856	113,836	69,108	70,903	71,491
Operating transfers out.....	(219,312)	(248,573)	(136,887)	(147,855)	(142,304)
Operating transfers to component units.....	(463,272)	(442,909)	(416,109)	(396,354)	(367,375)
Total other financing sources (uses).....	<u>(496,013)</u>	<u>(577,646)</u>	<u>(481,065)</u>	<u>(473,306)</u>	<u>(432,467)</u>
Excess of revenues over (under) expenditures and other uses.....	<u>111,898</u>	<u>(12,268)</u>	<u>56,978</u>	<u>42,513</u>	<u>80,536</u>
Beginning fund balance.....	416,539	439,158	386,513	345,361	228,118
Adjustments to beginning fund balance.....	(485)	—	—	—	60,844
Beginning fund balance as adjusted.....	<u>416,054</u>	<u>439,158</u>	<u>386,513</u>	<u>345,361</u>	<u>288,962</u>
Residual equity transfers.....	<u>(8,252)</u>	<u>(10,351)</u>	<u>(4,333)</u>	<u>(1,361)</u>	<u>(24,137)</u>
Ending fund balances.....	<u>\$ 519,700</u>	<u>\$ 416,539</u>	<u>\$ 439,158</u>	<u>\$ 386,513</u>	<u>\$ 345,361</u>

(Source: Division of Finance. This summary of financial information has been taken from the State's audited financial statements for the indicated years. This summary itself has not been audited.)

**State of Utah**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Fund Type — Special Revenue Funds**

(This summary is unaudited)

	<b>Fiscal Year Ended June 30 (in thousands)</b>				
	1998	1997	1996	1995	1994
Revenues:					
Unrestricted:					
Sales tax.....	\$ 8,654	\$ 8,226	\$ 7,606	\$ 7,103	\$ 6,371
Individual income tax.....	1,377,494	1,237,332	1,139,080	1,026,803	925,004
Corporate tax.....	196,275	191,991	176,781	157,901	125,191
Motor and special fuel tax.....	290,086	214,758	206,904	196,422	187,377
Licenses, permits, and fees.....	69,572	50,694	54,701	52,340	49,533
Interest on investments.....	27,622	5,606	3,509	5,454	4,639
Miscellaneous taxes and other.....	485	28	26	3,959	6,918
Total unrestricted.....	<u>1,970,188</u>	<u>1,708,635</u>	<u>1,588,607</u>	<u>1,449,982</u>	<u>1,305,033</u>
Restricted:					
Federal contracts and grants.....	345,099	329,210	324,167	285,851	285,890
Departmental collections.....	30,131	25,393	13,587	22,094	17,196
Miscellaneous.....	28,277	25,021	20,131	13,628	13,784
Interest on investments.....	51	24	7	499	2,072
Aeronautics.....	22,762	24,890	35,122	49,701	37,034
Restricted taxes.....	28,038	(9,707)	14,906	27,474	6,866
Restricted sales taxes.....	17,905	—	—	—	—
Total restricted.....	<u>472,263</u>	<u>394,831</u>	<u>407,920</u>	<u>399,247</u>	<u>362,842</u>
Total revenues.....	<u>2,442,451</u>	<u>2,103,466</u>	<u>1,996,527</u>	<u>1,849,229</u>	<u>1,667,875</u>
Expenditures:					
Current:					
Business, labor, and agriculture.....	243	196	152	80	174
Community and economic development....	2,401	3,004	1,243	782	687
Public education.....	1,676,668	1,651,282	1,476,565	1,299,052	1,217,741
Transportation.....	1,038,522	585,499	466,905	424,208	413,750
Leave/Postemployment benefits.....	(76)	7,261	4,994	8,347	1,446
Federal Retiree's Settlement.....	—	—	72	805	18,391
Total expenditures.....	<u>2,717,758</u>	<u>2,247,242</u>	<u>1,949,931</u>	<u>1,733,274</u>	<u>1,652,189</u>
Excess revenues over (under) expenditures.....	<u>(275,307)</u>	<u>(143,776)</u>	<u>46,596</u>	<u>115,955</u>	<u>15,686</u>
Other financing sources (uses):					
Proceeds of general obligation bonds.....	851,084	—	—	14,300	10,000
Operating transfers in.....	161,146	128,908	54,900	43,737	39,893
Operating transfers out.....	(238,296)	(97,722)	(52,303)	(54,348)	(45,303)
Total other financing sources (uses).....	<u>773,934</u>	<u>31,186</u>	<u>2,597</u>	<u>3,689</u>	<u>4,590</u>
Excess of revenues over (under) expenditures and other uses.....	<u>498,627</u>	<u>(112,590)</u>	<u>49,193</u>	<u>119,644</u>	<u>20,276</u>
Beginning fund balance.....	210,026	322,616	273,886	154,242	68,468
Adjustments to beginning fund balance.....	—	—	—	—	65,615
Beginning fund balance (as adjusted).....	<u>210,026</u>	<u>322,616</u>	<u>273,886</u>	<u>154,242</u>	<u>134,083</u>
Residual equity transfers.....	—	—	(463)	—	(117)
Ending fund balances.....	<u>\$ 708,653</u>	<u>\$ 210,026</u>	<u>\$ 322,616</u>	<u>\$ 273,886</u>	<u>\$ 154,242</u>

(Source: Division of Finance. This summary of financial information has been taken from the State's audited financial statements for the indicated years. This summary itself has not been audited.)

## **Ad Valorem Property Tax System**

For a description of the security for the Bonds and the procedure by which taxes are abated to the extent that moneys are available from other sources sufficient to pay principal of and interest on the Bonds, see the caption “THE BONDS—Security For The Bonds” above.

### **Ad Valorem Tax Levy and Collection for State Purposes**

The State does not presently levy ad valorem property taxes. However, if the State does not have sufficient moneys available to pay principal of and interest on its general obligation bonds from sources other than ad valorem taxes imposed on all taxable property of the State, the State Tax Commission would be required to collect ad valorem property taxes.

By May 1 of each year the State Tax Commission assesses all property required by law to be assessed by the State Tax Commission, at 100% of fair market value, as valued on the next preceding January 1. If the owner of any property assessed by the State Tax Commission or any county with a showing of reasonable cause objects to the assessment, either party may, on or before June 1, apply to the State Tax Commission for a hearing. The State Tax Commission must set a time for hearing the objection and render a written decision. At the hearing the State Tax Commission may increase, lower or sustain the assessment for the reasons provided by law. Appeals from decisions of the State Tax Commission are filed in District Court, the Utah Court of Appeals or the Utah Supreme Court.

Before May 25, the State Tax Commission is required to apportion the total assessment of all property assessed by it to the several counties, cities, towns, school districts, and other taxing districts in the manner provided by law. Before June 1, the State Tax Commission is required to transmit to the county auditor of each county to which an apportionment has been made a statement showing the property assessed and the value of the same, as fixed and apportioned to the county, and to the cities, towns, school districts and other taxing districts within the county.

Before June 22 of each year the State Tax Commission determines the rate of State tax to be levied and collected upon the taxable value of all property in the State sufficient to raise the amount of revenue specified by the Legislature for general State purposes. The State Tax Commission must transmit to the County Auditor of each county and to the State Auditor a statement of that rate.

The County Auditor is required to deliver the assessment rolls, with the taxes extended, all orders of the county board of equalization and State Tax Commission posted and all relief granted, prior to the time of mailing the original tax notice, to the County Treasurer who is then required to mail a tax notice to all property owners that sets out the aggregate amount of taxes to be paid for State, county, city, town, school and other purposes.

### **Property Tax Act**

The State Constitution and the Property Tax Act, Chapter 2, Title 59, Utah Code (the “Property Tax Act”), provides that all tangible property within the State is required to be assessed and taxed at a uniform and equal rate on the basis of 100% of its “fair market value” as of January 1 of each year, unless otherwise provided by law. “Fair market value” is defined in the Property Tax Act as “the amount at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.” Determinations of “fair market value” shall take into account the current zoning laws applicable to the property in question. Section 2 of Article XIII of the State Constitution provides that the Legislature may by law exempt from taxation up to 45% of the fair market value of residential property as defined by law. Pursuant to this provision, the Legislature has provided that the “fair market value” of primary residential property shall be reduced by 29.75% for tax year 1991, by 29.5% for tax years 1992 and 1993, by 32% for tax year 1994, and by 45% for tax year 1995 and thereafter. No more than one acre of land per residential unit may qualify for the residential exemption.

The Property Tax Act provides that the State Tax Commission shall assess certain types of property (“centrally–assessed property”), including (i) properties that operate as a unit across county lines that must be apportioned among more than one county or state, (ii) public utility (including railroad) properties, (iii) airline operating properties, (iv) geothermal properties and (v) mines, mining claims and appurtenant machinery, furnishings and improvements, including oil and gas properties. All other taxable property (“locally–assessed property”) is required to be assessed by the county assessor of the county in which such locally–assessed property is located. Each county assessor must update property values annually based upon a systematic review of current market data. Each county assessor must also complete a detailed review of property characteristics for each parcel of property at least once every five years. The Property Tax Act requires that the State Tax Commission conduct an annual investigation in each county to determine whether all property subject to taxation is on the assessment rolls and whether the property is being assessed at its “fair market value.”

The State Tax Commission and the county assessors utilize various valuation methods, as determined by statute, administrative regulation or accepted practice, to determine the “fair market value” of taxable property.

Many areas within the State have agricultural farmland devoted to the raising of useful plants and animals. For general property tax purposes, agricultural land is assessed based on statutory requirements and the value which the land has for agricultural use or on its agricultural value.

*State Mandated Minimum School Program Property Tax.* Before June 15, the State Tax Commission ascertains from the State Board of Education the number of weighted pupil units in each school district in the State for the school year commencing July 1 of the current calendar year, estimated according to the State–Supported Minimum School Program (the “Minimum School Program”), and the money necessary for the cost of the operation and maintenance of the Minimum School Program of the State. The State Tax Commission then estimates the amounts of all surpluses in the Uniform School Fund, as of July 1 of the current calendar year, available for the operation and maintenance of the program, and estimates the anticipated income to the fund available for those purposes from all sources, including revenues from taxes on income or from taxes on intangible property.

The State Tax Commission then determines for each school district the amount to be raised by the minimum basic tax levy as its contribution toward the cost of the Basic State–Supported School Program (the “Basic Program”), as required by the Minimum School Program. If the levy raises an amount in excess of the total Basic Program for a school district, the excess amount shall be remitted by the school district to the State Board of Education to be credited to the Uniform School Fund for allocation to school districts to support the Basic Program. If the levy does not raise an amount in excess of the total Basic Program for a school district, then the difference between the amount which the local levy will raise within the school district, and the total cost of the Basic Program within the school district shall be computed and the difference, if any, shall be apportioned from the Uniform School Fund to each school district as the contribution of the State to the Basic Program for the school district.

In order to qualify for receipt of the State contribution toward the Basic Program and as its contribution towards its costs of the Basic Program, each school district is required to impose a minimum basic tax rate (which rate is established and authorized each year by the Legislature). Beginning July 1, 1996, the Legislature authorized a levy not to exceed the “certified revenue levy,” for school districts contribution toward the costs of the Basic Program. “Certified revenue levy” means a property tax levy that provides the same amount of ad valorem property tax revenue as was collected for the prior year, plus new growth, but exclusive of revenue from collections from redemptions, interest, and penalties.

*Uniform Fees.* In 1992, an annual statewide uniform fee was levied on tangible personal property in lieu of the ad valorem tax, which uniform fee is based on the value of motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with



the State (excluding aircraft, vintage vehicles, state-assessed commercial vehicles and personal property that is exempt from state or county ad valorem property taxes, the "Exempt Property")(the "Uniform Fee" or "Uniform Fees"). The Uniform Fee is (i) equal to 1.5% of the fair market value of motor vehicles that weigh 12,001 pounds or more, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State (excluding the Exempt Property); or (ii) in the amount of a fixed fee (based on the age of the vehicle) for all motor vehicles required to be registered with the State that weigh 12,000 pounds or less. The revenues collected in each county from the Uniform Fee are distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem property tax is distributed, and each taxing entity shall distribute the revenues in the same proportion in which revenue collected from ad valorem property tax is distributed.

*Property Tax Valuation Agency Fund.* Commencing January 1, 1994, the State created the Property Tax Valuation Agency Fund (the "PTVAF"), to be funded by a statewide levy not to exceed .000300 per dollar of taxable value of taxable property. The levy is the responsibility of each county and is separately stated on the tax notice as a "state assessing and collection" levy. The purpose of the statewide levy is to promote the accurate valuation of property, the establishment and maintenance of uniform assessment levels within and among counties, and the efficient administration of the property tax system, including the costs of assessment, collection and distribution of property taxes. Distribution of funds in PTVAF to each county, is based on statutory qualification and requirements. Additionally, each county may levy an additional property tax up to .000200 per dollar of taxable value as a "county assessing and collection" levy. If necessary, a county may levy an additional levy to fund state mandated reappraisal programs.

Beginning in the fiscal year ending June 30, 1997, and subject to statutory adjustments thereafter, the State Legislature is required to authorize a levy not to exceed (unless it provides public notice thereof) the "certified revenue levy" to fund PTVAF.

#### **Taxable, Fair Market, and Market Value of All Property in the State**

##### *Excluding Fee-In-Lieu Valuation*

<u>Year</u>	<u>Taxable Value (1)</u>	<u>% Change Over Prior Year</u>	<u>Fair Market/ Market Value</u>	<u>% Change Over Prior Year</u>
1998 (2).....	\$90,965,000,000	7.7%	\$125,975,000,000	7.7%
1997.....	84,453,664,295	11.4	116,955,908,541	12.2
1996.....	75,815,759,120	12.3	104,266,318,689	12.6
1995.....	67,528,832,981	13.9	92,588,274,949	30.4
1994.....	59,275,160,883	7.7	71,016,332,668	5.7

##### *Including Fee-In-Lieu Valuation*

<u>Year</u>	<u>Taxable Value (1)</u>	<u>% Change Over Prior Year</u>	<u>Fair Market/ Market Value</u>	<u>% Change Over Prior Year</u>
1998 (2).....	\$99,965,000,000	7.3%	\$134,825,000,000	7.3%
1997.....	93,202,826,647	11.7	125,705,070,893	12.4
1996.....	83,435,302,159	12.4	111,885,861,728	12.7
1995.....	74,212,121,560	12.6	99,271,563,528	27.8
1994.....	65,906,136,839	9.0	77,647,308,624	6.9

(1) Taxable values were calculated by reducing the fair market/market value of primary residential property by 45% for the tax years 1998, 1997, 1996 and 1995, and 32% for the tax year 1994, representing a partial property tax exemption for such property.

(2) Preliminary; subject to change.

Source as to Taxable Value: Property Tax Division, Utah State Tax Commission  
(Source: Financial Advisor.)

## Historical Summaries Of Taxable Values Of Property

	1998		1997	1996	1995	1994
	(1) Taxable Value	% of T.V.	Taxable Value	Taxable Value	Taxable Value	Taxable Value
<i>Set by State Tax Commission—Centrally Assessed</i>						
Power companies.....	\$ 0	0.0 %	\$ 5,114,896,800	\$ 5,357,852,350	\$ 5,380,284,630	\$ 5,648,502,270
Telephone and telegraph companies.....	0	0.0	2,148,610,160	1,844,607,450	1,578,999,420	1,661,040,840
Metalliferous mining companies.....	0	0.0	1,662,780,276	1,677,556,640	1,541,615,810	1,143,456,395
Oil and gas companies.....	0	0.0	1,229,252,447	957,020,118	970,810,640	1,316,296,278
Pipe line companies.....	0	0.0	673,598,350	801,335,670	782,503,570	910,845,020
Air line companies.....	0	0.0	653,817,450	651,935,960	601,507,630	526,079,370
Railroad and terminal companies.....	0	0.0	630,568,370	559,750,400	553,123,740	574,022,720
Gas companies.....	0	0.0	455,247,170	360,096,300	326,707,110	359,149,530
Coal and mining companies.....	0	0.0	348,784,460	302,661,070	295,366,730	324,476,570
Other non-metalliferous mining companies.....	0	0.0	343,769,070	274,737,420	276,654,990	267,733,020
Sand and gravel companies.....	0	0.0	127,848,585	97,599,960	94,597,530	89,438,435
Car rolling stock.....	0	0.0	77,226,940	75,602,936	70,165,748	62,223,052
Bus line companies.....	0	0.0	18,805,458	2,139,541	40,066,604	39,579,130
Bus rolling stock.....	0	0.0	225,823	94,346,894	79,142,153	49,798,102
Total centrally assessed.....	13,450,000,000	13.5	13,485,431,359	13,057,242,709	12,591,546,305	12,972,640,732
<i>Set by County Assessor—Locally Assessed</i>						
Residential real estate—primary use.....	0	0.0	9,747,521,428	8,307,171,186	6,850,548,412	5,417,708,613
Commercial and industrial real estate.....	0	0.0	4,935,086,167	4,400,089,861	3,917,561,589	4,011,804,763
Unimproved real estate—not FAA.....	0	0.0	2,990,199,305	2,268,841,234	1,975,261,819	1,411,279,345
Residential real estate—not primary use.....	0	0.0	2,012,043,734	1,690,357,938	1,389,294,149	1,005,947,003
Real estate—under FAA—agricultural.....	0	0.0	540,857,029	916,002,817	784,452,729	432,570,154
Agricultural real estate—improved—not FAA.....	0	0.0	320,363	54,472	64,330,589	335,839,454
Total real estate.....	0	0.0	20,226,028,026	17,582,517,508	14,981,449,287	12,615,149,332
Residential buildings—primary use.....	0	0.0	29,772,582,663	26,309,665,891	23,651,804,609	19,394,769,736
Commercial and industrial buildings.....	0	0.0	11,901,221,351	10,642,826,410	8,976,127,678	7,760,289,649
Residential buildings—not primary use.....	0	0.0	2,138,106,190	1,922,836,169	1,549,329,327	1,178,137,744
Agricultural buildings.....	0	0.0	263,422,798	251,148,154	240,358,485	240,098,653
Total buildings.....	0	0.0	44,075,333,002	39,126,476,624	34,417,620,099	28,573,295,782
Total real property.....	70,400,000,000	70.4	64,301,361,028	56,708,994,132	49,399,069,386	41,188,445,114
Fee in lieu property (2).....	9,000,000,000	9.0	8,749,162,352	7,619,543,039	6,683,288,579	6,630,975,956
Other personal property.....	7,115,000,000	7.1	6,443,245,341	5,879,311,484	4,184,999,118	1,475,494,680
Mobile homes—primary residential use.....	0	0.0	204,861,098	156,069,063	125,853,829	137,511,695
Mobile homes—other use.....	0	0.0	18,765,469	14,141,732	11,950,644	7,317,425
Commercial and industrial property.....	0	0.0	—	—	781,916,797	2,132,149,130
Trade fixtures.....	0	0.0	—	—	427,713,522	1,350,653,094
Agricultural machinery.....	0	0.0	—	—	5,783,380	10,949,013
Total personal property.....	16,115,000,000	16.1	15,416,034,260	13,669,065,318	12,221,505,869	11,745,050,993
Total locally assessed.....	86,515,000,000	86.5	79,717,395,288	70,378,059,450	61,620,575,255	52,933,496,107
Total taxable value.....	\$ 99,965,000,000	100.0 %	\$ 93,202,826,647	\$ 83,435,302,159	\$ 74,212,121,560	\$ 65,906,136,839
Total taxable value (less fee in lieu).....	\$ 90,965,000,000		\$ 84,453,664,295	\$ 75,815,759,120	\$ 67,528,832,981	\$ 59,275,160,883

(1) Estimated for 1998. Detailed information is not yet available. Numbers are preliminary and subject to change.

(2) See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Ad Valorem Tax System" above.

(Source: Property Tax Division, Utah State Tax Commission.)

## **Budgetary Procedures**

*Budgetary Procedures Act.* The Budgetary Procedures Act, Title 63, Chapter 38, Utah Code (the “Budget Act”) establishes the process through which the State budget is prepared by the Governor and prescribes all information to be included in the Governor’s budget. Portions of the Budget Act are summarized below.

The Governor is required to submit a budget to the Legislature for each fiscal year. The budget is required to show, among other things, (i) a complete plan of proposed expenditures and estimated revenues for the ensuing fiscal year, (ii) the revenues and expenditures for the last fiscal year, and (iii) current assets, liabilities and reserves, any surplus or deficit and the debts and funds of the State. The budget is required to include an itemized estimate of appropriations for payment and discharge of the principal and interest of the indebtedness of the State, among other things. Deficits or anticipated deficits must be included in the budget.

The total appropriations requested for expenditures authorized by the budget must not exceed the estimated revenues from taxes, fees and all other sources for the next ensuing fiscal year.

The Budget Act applies to all moneys appropriated by the Legislature. Unless specifically exempted by the appropriations act, all departments, agencies and institutions of the State that accept moneys appropriated do so subject to the terms and provisions of the Budget Act. No appropriation or any surplus of any appropriation may be diverted from the department, agency, institution or division for which they were appropriated. Appropriated moneys may be subject to any restrictions set forth in the appropriation or any schedules or other restrictions provided by the Legislature. Transfers of moneys from one purpose or function to another within an item of appropriation are permissible at the discretion of the Governor as provided in the Budget Act. Appropriated moneys may not be transferred from one item of appropriation to any other item of appropriation without legislative approval.

*Unexpended Balances.* Except for certain funds detailed in the Budget Act or funds that may be exempted by the annual appropriations act, the Director of Finance must, at the end of each fiscal year, close out to the proper fund or account for all remaining unexpended and unencumbered balances of appropriations made by the Legislature.

*Budgetary Controls.* The Director of Finance is required to exercise accounting control over all State departments, institutions and agencies other than the Legislature and legislative committees. The Director of Finance must require the head of each department to submit not later than May 15 of each year a work program (budget) for the ensuing fiscal year. Such program must include all funds from any source whatsoever made available to each department for its operation. The Director of Finance and the State Budget Officer are required to review the work program of each department. The Director of Finance must, if the Governor deems necessary, revise, alter, decrease or change such work programs before or after approving the same. The aggregate of such work programs must not exceed the total appropriations or other funds from any source whatsoever made available to each department for the fiscal year in question. The Director of Finance must permit all expenditures to be made on the basis of such work programs. The Director of Finance is required to examine and approve or disapprove all requisitions and requests for expenditures of any department, except the judicial department and salaries or compensation of officers fixed by law.

## **State Funds And Accounting**

The Division of Finance maintains its accounting records in accordance with State law and in accordance with generally accepted accounting principles.

Four major fund groups are accounted for as governmental fund types. These include the General Fund, the Special Revenue Fund (comprised of the Uniform School Fund, Transportation Fund, Sports Authority Fund and several other minor funds), the Capital Projects Fund and the

Debt Service Fund. An additional five major fund groups are accounted for as proprietary or fiduciary fund types or account groups. These include the Enterprise Funds, the Internal Service Funds, the Trust and Agency Funds, the General Fixed Assets Account Group and the General Long Term Debt Account Group. Component units (which include Colleges and Universities and other proprietary-type entities) are maintained in separate accounts.

In 1980, many of the State's separate funds were reorganized and restructured to bring the fund structure into compliance with generally accepted accounting principles ("GAAP") as required by law. A description of the four governmental fund groups follows.

### **General Fund**

The General Fund is the principal fund from which appropriations are made for State operations. It is specifically maintained to account for all financial resources and transactions not accounted for in another fund. The General Fund receives all State sales taxes, which comprise the largest source of this Fund's revenues. Other principal sources of revenues include Federal contracts, grants and mineral lease payments, State departmental collections and miscellaneous licenses, fees and taxes. Funding for debt service on the State's general obligation bonds is usually appropriated from the General Fund and transferred to the various bond sinking funds within the Debt Service Fund although this process does not apply to the Bonds.

### **Special Revenue Funds**

*Uniform School Fund.* The Uniform School Fund currently receives all individual income and corporate franchise taxes, which together comprise the majority of revenues to the Fund. Federal grants and contracts related to State public education funding are a secondary source of revenues. If the revenues of the Uniform School Fund are insufficient, appropriations are made from the General Fund to assist in financing the State's portion of the State-Supported Minimum School Program as provided by law.

If revenues deposited into the General Fund are not sufficient to permit transfers to the Uniform School Fund as provided by appropriation, the Director of Finance, with the approval of the Governor, must withhold such transfers during the fiscal period. If this withheld transfer creates a deficit in the Uniform School Fund, the Legislature must provide funding to make up the deficit in the subsequent fiscal year.

*Transportation Fund.* The Transportation Fund receives all motor and special fuel taxes and car and truck registration taxes, though its largest source of funding has typically been from Federal grants and contracts.

*Sports Authority Fund.* The Utah Sports Authority Fund was established in 1990 to receive and expend <sup>1</sup>/32% sales tax received from January 1, 1990 through December 31, 1999 for the construction of winter sports facilities.

*Centennial Highway Fund.* The Centennial Highway Fund was established in 1997 to account for all Centennial Highway projects, the largest of which is the I-15 reconstruction project. Sources of revenue include federal grants, restricted vehicle registration fees, bond proceeds, investment earnings, and appropriations from the General and Transportation Funds.

### **Capital Projects Fund**

The Capital Projects Fund accounts for transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities. Such resources are principally derived from operating transfers from the General Fund and from bond proceeds.

## **Debt Service Fund**

All State general obligation bond and certain revenue bond principal and interest payments are made from individual sinking funds within the Debt Service Fund. Investment earnings on moneys held in the sinking funds (except as may be required by the proceedings authorizing the issuance of particular series of bonds), transfers from the General Fund or Special Revenue Funds and certain pledged revenues are the only sources of funding for this fund.

## **State Tax System**

The State's tax revenues are derived primarily from sales and use taxes, individual income taxes, motor fuel taxes, corporate franchise (income) taxes and also from numerous smaller sources including excise taxes on insurance premiums, beer, cigarettes and tobacco, severance taxes, investment income and numerous court and business regulation fees. These fees and taxes are regulated by the Legislature.

The State also receives revenues from unemployment compensation taxes (which tax is regulated by the Federal government and set by a state setup corporation) and workers' compensation taxes (which tax is regulated by a quasi-state agency).

The State also has authority to levy and collect ad valorem property taxes, but has not done so since 1974. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Ad Valorem Property Tax System" above.

In addition to the State's tax system, counties, cities and towns have authority to levy and collect sales and use taxes and property taxes. School districts, some special service areas and some special service districts have the authority to levy property taxes.

### **Property Tax**

Property taxes are based on property valuation. Assessment levels are uniform throughout the State, but tax rates vary from entity to entity. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Ad Valorem Property Tax System" above.

### **Individual Income and Corporate Franchise (Income) Tax**

*Individual Income Tax.* The State is one of 43 states that impose an individual income tax. Following a general trend, in 1973 the State adopted Federal definitions of, and amounts for, personal exemptions, standard deductions and itemized deductions. Subsequent legislatures, however, did not adopt new, indexed personal exemption amounts and standard deductions until 1987. The 1987 reform updated to the current Federal definitions, but reduced the amount of the personal exemption to 75% of the amount of the Federal personal exemption, and eliminated the deduction for Federal income taxes paid. The definitions of the personal exemption (of 75% of the amount of the Federal exemption) and standard deduction now track with Federal definitions and are indexed for inflation. In addition, subsequent legislatures restored 50% of the Federal income tax deduction. The individual income tax rates are graduated from 2.3% to 7%, with the top rate applying to taxable incomes over \$7,500 for those filing jointly or qualified heads of households, and taxable incomes over \$3,750 for single individuals.

*Corporate Franchise (Income) Tax.* The State imposes a tax on corporate net income apportioned to the State. The rate is 5%. Federal taxes are not deductible. Currently, the minimum tax is \$100.

Prior to Fiscal Year Ending June 30, 1996 all net revenues from the corporate franchise tax and individual income tax were available to fund local school districts under the State-Supported Minimum School Program. Beginning in Fiscal Year Ending June 30, 1997, a portion of revenues from taxes on income were used to fund the higher education system. For the Fiscal Years Ended

June 30, 1998 and June 30, 1999, \$97.7 million and \$131.2 million, respectively, will have been used to fund higher education.

### **Sales and Use Tax**

In 1933, a general sales tax was imposed to relieve the burden on the property tax and to bolster State revenues. The original tax rate imposed in 1933 was 0.75%. Currently, the state sales and use tax rate is 4.75% of the purchase price of tangible personal property and certain services. The tax rate for gas, electricity, heat, coal, fuel oil or other fuels sold for residential use is 2%.

Sales tax is applicable to retail sales of tangible personal property and taxable services performed from a place of business in the State. Use tax applies to (a) goods shipped to the State for use, storage, or other consumption, (b) goods purchased outside of the State for use, storage, or other consumption in Utah, and (c) services subject to tax but performed outside the State for use, storage, or other consumption in State.

In general, State sales and use taxes are imposed based on retail sales or use of tangible personal property, admissions, meals, utility services, general services on tangible personal property, hotel and motel accommodations, and certain other items.

The State requires its largest sales taxpayers (with annual liabilities more than \$50,000) to pay on a monthly basis. Those vendors with a prior-year sales tax liability of more than \$96,000 are required to pay via electronic transfer. Monthly sales taxpayers receive a 1.5% discount on state taxes and a 1% discount on local sales taxes. Because approximately 75% of the sales tax is now remitted monthly, the State's cash flow has less variations.

In November 1989, voters approved the allocation and use of a limited amount of sales tax proceeds to support the State's efforts to be awarded the 1998 or 2002 Olympic Winter Games. The voters authorized the allocation of tax proceeds generated by a  $\frac{1}{64}$ % tax rate on the items on which sales and use taxes are imposed by the State and an additional allocation of tax proceeds generated by a  $\frac{1}{64}$ % tax rate on the items on which sales and use taxes are imposed by the local governments adopting the optional local sales and use tax. No new taxes were imposed for this special purpose but it reallocated a small part of the taxes already imposed. These limited tax revenues will be applied in this manner from January 1, 1990 until December 31, 1999. Beginning January 1, 2000, proceeds generated by a  $\frac{1}{64}$ % tax rate will be deposited into the Centennial Highway Fund.

### **Local Taxes**

*Local Sales and Use Tax.* In addition to the State's sales and use taxes, a uniform local sales and use tax of 1% applies in counties, cities and towns which have adopted the local tax ordinance, 50% of which local sales tax revenue is allocated on the basis of direct point of sale and 50% is allocated on the basis of population. As of July 1, 1997, the local sales and use tax plus the 4.75% state sales and use tax amounts to a 5.75% sales tax throughout the State.

*Public Transit Tax.* Counties, cities and towns within an organized transit district (which includes most cities in Utah County, Salt Lake County, Davis County, and Weber County and some cities in Tooele County, Cache County, Box Elder County and Summit County) may impose, in addition to other sales and use taxes, a sales and use tax levy of 0.25% on the same items to which other authorized sales and use taxes apply to fund a public transportation system, if approved by the voters in a separate election.

*Other Local Taxes.* In addition to the forgoing taxes certain counties, cities or towns may impose a number of other miscellaneous taxes including: a county-imposed transient room tax not to exceed 3% of rent; a resort communities sales tax of up to 1%; a tourism, recreation, and convention facilities tax not to exceed 0.50% of rent for room occupancy, 1% of sales of prepared foods and beverages sold by restaurants, 4% of short-term vehicle leases and rentals; a rural county hos-

pital and long-term care center sales and use tax of up to 1%; a rural city hospital sales and use tax up to 1%; a recreational facilities and botanical, cultural, and zoological organization sales and use tax of 0.10%; and a municipal energy sales and use tax of up to 6%.

In addition, the 1997 Legislature authorized additional local taxes to assist localities in diversifying revenue structures and paying for tourist costs: (i) a county option sales tax of 0.25% which is offset by property tax reduction of the same amount in the first year of implementation (if counties imposing such tax comprise 75% of the State's population, a 50% population/50% point of sale distribution formula is activated), (ii) transient room tax for municipalities of up to 1%, (iii) an additional transient room tax of up to 0.50% under certain debt conditions, (iv) after voter approval, an additional municipal highway tax of 0.25%. Provisions were also enacted which modified a municipality's ability to collect business license fees.

### **Unemployment Compensation Tax**

Employers of one or more persons in the State are subject to the State's unemployment tax, the proceeds of which are used to finance benefit payments to unemployed workers. The tax is based on employee earnings, with the rate depending on several factors including annual and quarterly payroll stability and the age of the firm. As of June 30, 1998, the unemployment compensation trust fund had a fund balance of \$586,781,000.

### **Workers' Compensation Tax**

*Primary Insurance.* Employers doing business in the State must provide worker's compensation insurance coverage for their employees in one of three ways. They may insure with the Workers' Compensation Fund of Utah ("WCF"), a non-profit, quasi-public corporation; or they may insure with a private insurance carrier authorized to transact the business of workers' compensation insurance in the State; or, with the approval of the State Industrial Commission, they may be self-insured. If the employer chooses to be insured by WCF or a private insurance carrier, the premium rates paid depend on the individual employer's claim loss experience as well as the particular industry in which the employer operates.

*Employers' Reinsurance Fund.* The Employers' Reinsurance Fund ("ERF"), covers employers for liability arising from industrial accidents or occupational diseases occurring on or before June 30, 1994. For claims resulting from an accident or disease arising out of and in the course of the employee's employment on or after July 1, 1994, the employer or its insurance carrier is liable for permanent total disability compensation. By statute, each year the State Industrial Commission must establish a premium tax within a 7.25% maximum based upon the recommendation of an actuary for payment by insurers and self-insured employers. This assessment is designed to enable ERF to provide for the payment of benefits and expenses for the coming year and to ensure that the ERF's assets are greater than its liabilities by no later than June 30, 2025, and leave an indexed cash reserve of approximately \$5 million at the end of each fiscal year. While the revenues collected each year are sufficient to cover ERF's current expenses, ERF would have to maintain a reserve balance of approximately \$275 million if it were to be deemed actuarially sound in the same manner as an insurance company. In 1994 the Legislature passed legislation limiting the State's liability to the cash or assets in the ERF only. By statute the State is not liable for the debts and obligations of the ERF. See "APPENDIX A—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1998—Notes to the Combined Financial Statements—Note 10. Deficit Fund Balances/Retained Earnings" herein.

*Uninsured Employers' Fund.* To assist in paying workers' compensation benefits to employees whose employers are insolvent, or are otherwise unable to pay the benefits owed to their employees, the State established an Uninsured Employers' Fund ("UEF"), in 1984. UEF is funded by a premium tax in the same manner as ERF except that self-insured employers may be assessed an amount necessary to pay benefits due an employee of an insolvent self-insured and a subrogation right exists against any employer failing to make compensation payments. As with ERF, the State Industrial Commission must, based on the recommendation of an actuary, establish a pre-

mium assessment of between 1% and 8% annually to provide payments of benefits and expenses from UEF and to maintain it at a funded condition with assets equal to or greater than its liabilities, along with sufficient reserves to provide an indexed cash reserve at the end of each fiscal year of \$2 million. The State Tax Commission is to remit for the premium assessment collected an amount up to 0.50% and any remaining assessed percentage of the premium income for credit to the UEF. The maximum premium tax rate is 0.50%. The liability of the State with respect to the payment of any compensation benefits, expenses, fees or disbursements properly chargeable against the UEF, is limited to the assets of the fund. By statute, the State is not otherwise liable for the making of any UEF payment. See “APPENDIX A—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1998—Notes to the Combined Financial Statements—Note 10. Deficit Fund Balances/Retained Earnings” herein.

### **Severance Taxes**

Since 1937, the Legislature has provided for the levy of a mine occupation or severance tax on production and sale of oil, gas and metalliferous minerals in the State, including copper, lead, gold, silver, zinc, iron, tungsten, uranium, vanadium, and other valuable minerals.

*Oil and Gas.* The severance tax on oil is 3% of the value, at the well, up to and including, the first \$13 per barrel, and 5% of the value at the well from \$13.01 and above per barrel, and for gas, the severance tax is 3% of the value at the well, up to and including, \$1.50 per million cubic feet (“mcf”), and 5% of the value from \$1.51 and above per mcf. The rate on natural gas liquids is 4%. No severance tax is imposed on the first \$50,000 annually in gross value of each oil or gas wells, or on any production from low-producing wells, or on any production of new wells during the first six or 12 months (depending on whether the well was drilled in a developed area). A 50% reduction in the tax rate is imposed upon the incremental production achieved from an enhanced recovery project. A tax credit equal to 20% of the amount paid for a recompletion or workover of a well is also allowed, with the credit limited to \$50,000 per well during each calendar year through December 31, 1994, and beginning January 1, 1995, \$30,000 per well through December 31, 2004, after which the authorization for this credit will expire.

*Mining.* The severance tax on mines is 2.6% of the taxable value of all metals or metalliferous minerals sold or otherwise disposed of in the State or shipped out of State. The taxable value for all metals is 30% (except beryllium which is 20%) of the gross proceeds, but if the metal is shipped out of State as “ore,” the taxable value is 80% of the gross proceeds. Metals or metalliferous minerals stockpiled are not subject to the tax until they are sold or shipped out of the State, unless they are stockpiled longer than two years. An annual exemption from the tax of \$50,000 in gross value of the metalliferous mineral is allowed for each mine.

### **Highway Users’ Taxes**

Highway users’ taxes can be divided into four major categories: motor and special fuel taxes; motor vehicle registration and title fees; fees charged for the issuance of driver licenses; and additional fees charged to intrastate and interstate truck fleets. Motor and special fuel taxes is \$0.245 per gallon on distributions of gasoline and diesel fuel. For clean fuel, the tax is 3/19 of \$0.245, rounded up to the nearest penny. Revenues from these two sources constitute the bulk (almost 80%) of highway user taxes. Funds are used almost entirely for: State highway construction and maintenance; distribution to cities and counties for use on local roads and streets; policing the highways; and administrative and regulatory purposes in connection with the use of roads.

### **Miscellaneous Taxes and Fees**

The State collects a number of miscellaneous taxes and fees. Most important of these are the insurance premium tax, cigarette and tobacco tax, wine and liquor tax, inheritance tax, environmental surcharge, waste tire fee, and fish and game license fees. Other significant State revenue sources include license taxes and fees collected by colleges, institutions and State departments.



## Freeport Exemption

In 1963, the so-called “Freeport Amendment” to the State Constitution was approved, exempting from the property tax “tangible personal property present in the State on January 1 . . . which is held for sale or processing and which is shipped to final destination outside this state within twelve months.” The purpose of the amendment was to give the State preferred status as a distribution center for goods (manufactured within or without the State) to be shipped to markets in the surrounding areas, including the Pacific Coast.

## Inventory Exemption

A law enacted in 1969 eliminated the State’s inventory tax. Since January 1, 1973, the State has imposed no ad valorem taxes on inventory of any kind in any place in the State.

## State Revenues

The State receives revenues from three principal sources: (a) taxes and licenses; (b) Federal grants-in-aid; and (c) miscellaneous charges and receipts, including fees, the State’s share of mineral royalties, and bonuses on Federal land.

Fiscal Year Ended June 30 (in thousands)										
	Estimated	%		%		%		%		%
	1999 (*)	(1)	1998	(1)	1997	(1)	1996	(1)	1995	(1)
Taxes and										
licenses (2).....	\$3,527,597	65	\$3,441,699	65%	\$3,119,086	65%	\$2,900,516	63%	\$2,664,417	63%
Federal contracts										
and grants.....	1,483,654	27	1,382,748	26	1,315,279	27	1,266,632	28	1,193,140	28
All other misc.										
revenues (3).....	<u>415,336</u>	<u>8</u>	<u>474,754</u>	<u>9</u>	<u>387,847</u>	<u>8</u>	<u>401,332</u>	<u>9</u>	<u>384,638</u>	<u>9</u>
Total all funds....	<u>\$5,426,586</u>	<u>100%</u>	<u>\$5,299,201</u>	<u>100%</u>	<u>\$4,822,212</u>	<u>100%</u>	<u>\$4,568,480</u>	<u>100%</u>	<u>\$4,242,195</u>	<u>100%</u>

(\*) Estimates for June 30, 1999 were generated as of March 1999.

(1) Percentage of Total Governmental Fund Revenue.

(2) Includes sales, income, corporate and fuel taxes; licenses, fees and permits; interest on investments; and other unrestricted miscellaneous taxes.

(3) Includes departmental collections; dedicated credits; aeronautics; Federal mineral lease revenues; intergovernmental revenues; interest on investments; liquor control profits; and other restricted miscellaneous revenues.

(Source: Division of Finance.)

For the Fiscal Year Ended June 30, 1998, General Fund revenues from all sources totaled \$2,768,364,000. Of this amount, 46% came from sales taxes, 37% came from Federal contracts and grants, 9% came from fees, Federal mineral lease revenues and other miscellaneous restricted revenues, and 8% came from miscellaneous taxes, interest on investments, license fees and other unrestricted revenues. The General Fund revenue includes credit for profits of the Liquor Enterprise Fund which amounted to \$26,297,000 for such fiscal year.

In the Uniform School Fund for Fiscal Year Ended June 30, 1998, revenues from all sources totaled \$1,836,334,000. Of this amount, 75% came from individual income taxes, 11% came from corporate franchise taxes, 11% came from Federal contracts and grants, 3% came from other miscellaneous restricted and unrestricted revenues.

In the Transportation Fund for Fiscal Year Ended June 30, 1998, revenues from all sources totaled \$543,571,000. Of this amount, 53% came from Motor and Special Fuel Taxes, 24% came from Federal contracts and grants, 10% came from other miscellaneous unrestricted taxes and fees, and 13% came from miscellaneous fees and other restricted revenue.

In the Centennial Fund for Fiscal Year Ended June 30, 1998, revenues from all sources totaled \$52,425,000. Of this amount, 48% came from interest income, 27% came from Motor Vehicle Registration fees, 22% came from Federal contracts and grants, and 3%% came from miscellaneous restricted revenue.

In the Capital Projects Fund for Fiscal Year Ended June 30, 1998, revenues from all sources totaled \$77,585,000. Of this amount, 93% came from intergovernmental sources, 6% came from interest earnings, and 1% came from miscellaneous revenue.

In the Debt Service Fund for Fiscal Year Ended June 30, 1998, revenues totaled \$10,801,000 of which 5% was from interest earnings and the remaining 95% from miscellaneous sources.

### Revenues by Source

All Governmental Fund Types (1)

	Fiscal Year Ended June 30 (in thousands)				
	Estimated 1999 (*)	1998	1997	1996	1995
Unrestricted:					
Individual income tax .....	\$1,461,722	\$1,377,494	\$1,237,332	\$1,139,080	\$1,026,803
Sales tax .....	1,285,531	1,260,033	1,259,961	1,170,120	1,061,870
Motor and special fuel tax ..	297,000	290,086	214,758	206,904	196,422
Corporate franchise tax .....	201,978	196,275	191,991	176,781	157,901
Misc. tax and other.....	147,246	162,968	129,747	119,796	138,117
Licenses, permits and fees..	72,578	83,994	64,486	67,512	65,529
Liquor control profits .....	28,000	26,297	24,312	22,155	20,080
Interest on investments.....	33,355	43,033	20,811	20,323	17,775
Total unrestricted.....	<u>\$3,527,410</u>	<u>3,440,180</u>	<u>3,143,398</u>	<u>2,922,671</u>	<u>2,684,497</u>
Restricted:					
Fed. contracts and grants...	1,483,654	1,382,748	1,315,279	1,266,632	1,193,140
Department collections.....	191,175	174,228	163,763	149,868	158,454
Miscellaneous.....	82,371	86,168	80,131	67,983	52,987
Federal mineral leases.....	30,500	33,485	34,111	34,718	29,054
Intergovernmental .....	30,146	72,366	38,731	46,602	20,740
Restricted sales tax .....	28,186	27,816	—	—	—
Restricted taxes (2).....	25,000	40,699	3,316	25,281	36,491
Aeronautics.....	16,530	22,762	24,890	35,122	49,701
Interest on investments.....	11,614	18,749	18,593	19,603	17,131
Total restricted.....	<u>1,899,176</u>	<u>1,859,021</u>	<u>1,678,814</u>	<u>1,645,809</u>	<u>1,557,698</u>
Total revenues .....	<u>\$5,426,586</u>	<u>\$5,299,201</u>	<u>\$4,822,212</u>	<u>\$4,568,480</u>	<u>\$4,242,195</u>

(\*) Estimates for June 30, 1999 were generated as of March 1999.

(1) This summary includes revenues of the State Governmental-Type Funds which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Sports Authority Fund, Consumer Education Funds, and Federal Retirees Settlement Fund), Capital Projects Fund and Debt Service Fund.

(2) Restricted taxes are the result of a change in accounting standards that requires certain taxes to be recognized as revenue when they are measurable and available even if the cash is collected after the end of the fiscal year.

(Sources: Division of Finance and the 1998 Comprehensive Annual Financial Report.)

### Expenditures by Function

All Governmental Fund Types (1)

Function	Fiscal Year Ended June 30 (in thousands)				
	Estimated 1999 (*)	1998	1997	1996	1995
Public education .....	\$1,779,123	\$1,676,668	\$1,651,282	\$1,476,565	\$1,299,052
Human services/health/corrections/ environmental quality.....	1,315,283	1,289,255	1,480,616	1,394,764	1,296,189
Transportation and public safety .....	1,049,909	1,126,225	669,014	546,650	497,068
Higher education.....	508,596	475,817	464,202	432,816	409,083
Employment and family services (2)...	303,075	285,602	—	—	—
General government .....	245,058	230,030	248,918	234,179	224,622
Capital outlay .....	201,546	200,912	182,129	207,418	177,937
Debt service.....	134,685	131,075	100,651	94,426	86,572
Natural resources.....	96,388	88,529	91,656	86,899	78,440
Community and economic development.....	75,876	72,847	84,384	82,585	71,883
Business, labor and agriculture.....	44,552	42,423	39,107	36,307	34,550
Leave/Post employ. benefits.....	21,565	21,565	31,659	18,562	35,233
Federal retirees.....	—	—	—	72	805
Total expenditures All Governmental Fund Types.....	<u>\$5,775,656</u>	<u>\$5,640,948</u>	<u>\$5,043,618</u>	<u>\$4,611,243</u>	<u>\$4,211,434</u>

(\*) Estimates for June 30, 1999 were generated as of March 1999.

- (1) This summary includes expenditures of the State Government-Type Funds which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Sports Authority Fund, Consumer Education Funds, and Federal Retirees Settlement Fund), Capital Projects Fund and Debt Service Fund.
- (2) The Department of Workforce Services was created in the Fiscal Year Ended June 30, 1998, to operate the integrated Employment and Family Services function for the State. The Employment and Family Services function was previously reported on this schedule in the functions of General Government, Community and Economic Development, and Human Services.

(Sources: Division of Finance and the 1998 Comprehensive Annual Financial Report.)

### Changes in All Governmental Fund Types (1)

	Fiscal Year Ended June 30 (dollars in millions)				
	Estimated 1999 (*)	1998	1997	1996	1995
Revenues.....	\$5,427	\$5,299	\$4,822	\$4,568	\$4,242
% change over previous year..	2.4%	9.9%	5.6%	7.7%	8.4%
Net other financing sources (2) .	\$168	\$922	\$74	\$156	\$122
Expenditures (3) .....	\$5,776	\$5,641	\$5,044	\$4,611	\$4,211
% change over previous year..	2.4%	11.8%	9.4%	9.5%	7.6%

(\*) Estimates for June 30, 1999 were generated as of March 1999.

- (1) Includes the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Sports Authority Fund, Securities Investor Education and Training Fund, and Federal Retirees Settlement Fund), Capital Projects Fund and Debt Service Fund.
- (2) Includes bond proceeds, net of any refunding issues, transfers from non-governmental funds, plus financing provided from capital leasing.
- (3) Funding for expenditures is provided from revenues, beginning balances and bond proceeds; beginning balances are not reflected in this table.

(Sources: Division of Finance and the 1998 Comprehensive Annual Financial Report.)

### Fund Balances (1)

*The 1999 estimates for fund balances are not available.*

#### Fund Balances—All Governmental Fund Types

	Fiscal Year Ended June 30 (in thousands)				
	1998	1997	1996	1995	1994
General Fund.....	\$ 519,700	\$416,539	\$439,158	\$386,513	\$345,361
Special Revenue Funds					
Centennial Highway Fund.....	458,853	14,107	—	—	—
Uniform School Fund.....	230,406	183,212	266,130	213,123	111,471
Transportation Fund.....	18,148	18,648	62,382	63,632	39,273
Sports Authority Fund.....	937	(6,239)	(6,194)	(3,040)	3,427
Consumer Education Fund.....	309	298	298	171	71
Capital Projects Fund.....	91,865	107,164	116,986	100,839	98,675
Debt Service Fund.....	<u>7,567</u>	<u>13,891</u>	<u>13,493</u>	<u>8,881</u>	<u>6,898</u>
Total.....	<u>\$1,327,785</u>	<u>\$747,620</u>	<u>\$892,253</u>	<u>\$770,119</u>	<u>\$605,176</u>

(1) Includes restricted and unrestricted fund equity.

(Source: Division of Finance.)

(The remainder of this page has been intentionally left blank.)

## General Fund

### Revenues, Expenditures and Fund Balances

#### Fiscal Year Ended June 30 (in thousands)

	Estimated 1999 (*)	1998	1997	1996	1995
<b>Revenues:</b>					
Sales tax.....	\$1,276,416	\$1,251,379	\$1,251,735	\$1,162,514	\$1,054,767
Federal contracts and grants...	1,117,413	1,037,649	986,069	942,465	907,289
Department collection.....	167,870	144,097	138,370	136,281	136,360
Miscellaneous tax & other....	147,246	162,483	129,719	119,770	134,158
Miscellaneous.....	40,682	47,342	44,911	38,564	30,163
Federal mineral leases.....	30,500	33,485	34,111	34,718	29,054
Liquor control (1).....	28,000	26,297	24,312	22,155	20,080
Interest.....	26,513	28,638	27,016	26,555	20,916
Licenses, permits and fees....	18,734	14,422	13,792	12,811	13,189
Restricted sales.....	25,000	12,661	13,023	10,375	9,017
Restricted sales taxes.....	10,147	9,911	—	—	—
Total revenues.....	<u>\$2,888,521</u>	<u>\$2,768,364</u>	<u>\$2,663,058</u>	<u>\$2,506,208</u>	<u>\$2,354,993</u>
% change over previous year....	4.3%	4.0%	6.3%	6.4%	6.8%
Expenditures (2).....	<u>\$2,704,394</u>	<u>\$2,591,203</u>	<u>\$2,513,596</u>	<u>\$2,359,468</u>	<u>\$2,213,651</u>
% change over previous year....	4.4%	3.1%	6.5%	6.6%	8.7%
<b>Fund Balance: (2)</b>					
Unreserved, designated.....	na	\$138,938	\$107,341	\$167,045	\$122,761
Unreserved, undesignated.....	na	9,408	2,428	483	15,246
Reserved.....	na	<u>371,354</u>	<u>306,770</u>	<u>271,630</u>	<u>248,506</u>
Total fund balance.....	na	<u>\$519,700</u>	<u>\$416,539</u>	<u>\$439,158</u>	<u>\$386,513</u>

(\*) Estimates for June 30, 1999 were generated as of March 1999.

(1) Liquor Control profits are reported as transfers into the General Fund.

(2) The Fund Balance is derived from revenues, expenditures, transfers and other financing sources which are not presented in this table and the beginning fund balance from the prior fiscal year.

(Sources: Division of Finance and the 1998 Comprehensive Annual Financial Report.)

## Capital Expenditure Authorizations

The following table presents historical data on capital expenditures in the year authorized from the Fiscal Years Ended June 30, 1995 through 1999. Included in these figures are capital outlay expenses and authorizations for the construction of new buildings and the improvement of existing buildings as shown in previous tables. These figures also contain previous bond expenditures, the construction of buildings for higher education, water development or storage projects, flood control projects, the construction or improvement of roads and related transportation projects, State and some local recreation projects and those local projects in energy-impacted areas funded with community impact moneys. These figures exclude debt service.

**Capital Expenditure Authorizations (in millions)**

Fiscal Year Ended June 30				
1999	1998	1997	1996	1995
\$1,109.9	\$1,329.0	\$673.2	\$529.5	\$507.9

(Source: Governor's Office of Planning and Budget.)

## **Investment Of Funds**

*Investment of Operating Funds; The Utah Money Management Act.* The Utah Money Management Act, Title 51, Chapter 7, Utah Code (the "MM Act") governs the investment of all public funds held by public treasurers in the state. It establishes criteria for investment of public funds with an emphasis on safety, liquidity, yield, matching strategy to fund objectives, and matching the term of investments to the availability of funds. The MM Act provides a limited list of approved investments, including qualified in-state and permitted out-of-state financial institutions, approved government agency securities and investments in corporate securities carrying "top credit ratings." The MM Act also provides for pre-qualification of broker dealers requiring that broker dealers must agree in writing to comply with the MM Act and certify that they have read and understand the MM Act. The MM Act establishes the Money Management Council (the "MM Council") to exercise oversight of public deposits and investments. The law requires all securities to be delivered versus payment to the State Treasurer's or to the public treasurer's safekeeping bank. It requires diversification of investments, especially in securities of corporate issuers. Not more than 5% of the portfolio may be invested with any one issuer. Investments in mortgage pools and mortgage derivatives or any security making unscheduled periodic principal payments are prohibited. The MM Act also defines the State's prudent investor rules. The MM Council is comprised of five members appointed by the Governor of the State for terms of four years, after consultation with the State Treasurer and with the advice and consent of the State Senate.

Information regarding the MM Act may be found on the internet at <http://www.treasurer.state.ut.us>. Such information shall not be considered to be a part of this OFFICIAL STATEMENT and is not provided in connection with the offering of the Bonds.

The State is currently complying with all of the provisions of the MM Act for all State operating funds. A significant portion of State funds are invested in the Utah Public Treasurers Investment Fund ("PTIF"), as discussed below.

*The Utah Public Treasurers' Investment Fund.* The PTIF is a public treasurers' investment fund, established in 1981, and managed by the State Treasurer. The PTIF invests to ensure safety of principal, liquidity and a competitive rate of return on short-term investments. All moneys transferred to the PTIF are promptly invested in securities authorized by the MM Act. Safekeeping and audit controls for all investments owned by the PTIF must comply with the MM Act.

All investments in the PTIF must comply with the MM Act and rules of the MM Council. The PTIF invests primarily in money market securities including time certificates of deposit, top rated commercial paper, treasuries and certain agencies of the U.S. Government. The maximum weighted average adjusted life of the portfolio, by policy, is not to exceed 90 days. The current weighted average adjusted life is 75.7 days, with approximately 38% of the securities maturing or repricing within 30 days, and 90% of the securities maturing or repricing within 90 days. The maximum final maturity of any security purchased by the PTIF is limited to three years, except that a maximum maturity of five years is allowed for treasury or agency securities whose rate adjusts at least annually.

By law, investment transactions are conducted only through certified dealers, qualified depositories or directly with issuers of the securities. All securities purchased are delivered versus payment to the custody of the State Treasurer or the State Treasurer's safekeeping bank, assuring a

perfected interest in the securities. Securities owned by the PTIF are completely segregated from securities owned by the State. The State has no claim on assets owned by the PTIF except for any investment of State moneys in the PTIF. Deposits are not insured or otherwise guaranteed by the State. It is the policy of the State Treasurer to manage a stable net asset value pool and maintain a net asset value that does not deviate by more than 0.5%.

Securities in the PTIF include certificates of deposit, commercial paper, short-term corporate notes, obligations of the U.S. Treasury and securities of certain agencies of the U.S. Government. These short-term securities must be rated “first tier” (“A1,” “P1,” for short-term investments and “A” or better for long-term investments) by two nationally recognized statistical rating organizations, one of which must be Moody’s or S&P. These securities represent limited risks to governmental institutions investing with the PTIF. Variable rate securities in the PTIF must have an index or rate formula that has a correlation of at least 94% of the effective Federal Funds rate.

Investment activity of the State Treasurer in the management of the PTIF is reviewed monthly by the MM Council and is audited by the State Auditor.

See “APPENDIX A—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1998—Notes To The Financial Statements—Note 3. Deposits and Investments” below.

Information regarding PTIF may be found on the internet at <http://www.treasurer.state.ut.us>. Such information shall not be considered to be a part of this OFFICIAL STATEMENT and is not provided in connection with the offering of the Bonds.

*PTIF Year 2000 Compliance.* The State Treasurer’s office uses a third party software program to do the investment and fund accounting for PTIF. The vendor has certified to the State Treasurer that its software is Year 2000 compliant. The national and local banks, which provide safekeeping, automated clearing house, fed wire and other services that benefit PTIF, have reported to the State Treasurer that they intend to be Year 2000 compliant by June 30, 1999.

*Investment of Bond Proceeds.* Proceeds of the Bonds (less refunding proceeds set aside for the payment of the Refunded Commercial Paper Notes) will be held by the State and invested so as to be readily available. Such remaining bond proceeds may also be invested in the PTIF.

## **Retirement Systems**

All full-time employees of the State are members of the Utah State Retirement System. For a discussion concerning the Utah State Retirement System see “APPENDIX A—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1998—Notes to the Financial Statements—Note 15. Pension Plans” “—Note 16. Deferred Compensation Plan” and “—Note 17. Postemployment Benefits” below.

## **Risk Management**

The State is self-insured against certain property and liability claims. The Legislature established the Administrative Services Risk Management Fund to pay for commercial insurance or for the self-insured portion of certain property and liability risks. Revenues are generated from premiums charged to State departments and institutions of higher education and also from several local school districts and local health departments.

The property self-insurance limits for the fiscal year beginning July 1, 1998 are \$1 million per claim with an annual aggregate of \$2.5 million. Generally, claims in excess of the self-insured limits are covered by insurance policies with private insurance companies. This coverage has limits of \$400 million at any single building, with overall limits in excess of \$12.1 billion. The State has aggregate coverage of \$400 million for earthquake and flood losses. Earthquake and flood losses above this limit are self-insured.

The State is self-insured for 100% of the liability claims arising out of occurrences.

As of June 30, 1998, the Administrative Services Risk Management Fund was estimated to have approximately \$36 million in reserve available to pay for claims incurred. In the opinion of the State's Risk Manager, the available balance will be adequate to cover claims through June 30, 1999. The Legislature has chosen to fund the Risk Management Fund at this level, and it has been advised that any extremely large claims would need to be covered by an appropriation. See "APPENDIX A—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1998—Notes to the Financial Statements—Note 18. Risk Management And Insurance" below.

## **LEGAL MATTERS**

### **Absence Of Litigation Concerning The Bonds**

There is no litigation pending or threatened against the Bonds questioning or in any matter relating to or affecting the validity of the Bonds.

On the date of the execution and delivery of the Bonds, certificates will be delivered by the State to the effect that to the knowledge of the State, there is no action, suit, proceeding or litigation pending or threatened against the State, which in any way materially questions or affects the validity or enforceability of the Bonds or any proceedings or transactions relating to their authorization, execution, authentication, marketing, sale or delivery or which materially adversely affects the existence or powers of the State.

A non-litigation opinion issued by the State's Attorney General, dated the date of closing, will be provided stating, among other things, that there is not now pending, or to her knowledge threatened, any action, suit, proceeding, inquiry, or any other litigation or investigation, at law or in equity, before or by any court, public board or body, challenging the creation, organization or existence of the State, the Authority or the Division, or the titles of their respective officers to their respective offices, or the ability of the State, the Authority or the Division or their respective officers to authenticate, execute or deliver the Bonds or such other documents as may be required in connection with the issuance and sale of the Bonds, or to comply with or perform their respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the Bonds are issued, the legality of the purpose for which the Bonds are issued, or the validity of the Bonds or the issuance and sale thereof.

### **Miscellaneous Legal Matters**

The State, its officers, agencies, and departments, are parties to numerous routine legal proceedings, many of which normally occur in governmental operations.

### **Attorney General's Opinion Of Effect Of Legal Proceedings On State's Ability To Make Timely Payments On Bonds**

Based on discussions with representatives of the State's Executive and Legislative Departments, the Attorney General is of the opinion that the miscellaneous legal proceedings against the State, individually or in the aggregate, are not likely to have a material adverse impact on the State's ability to make its payments on the principal and interest on the Bonds as those payments come due.



## Tax Exemption

### Federal Income Taxation

Federal tax law contains a number of requirements and restrictions that apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed and refinanced therewith, and certain other matters. The State has covenanted to comply with all requirements that must be satisfied in order for interest on the Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the State's compliance with the above-referenced covenants, under present law, in the opinion of Chapman and Cutler, Bond Counsel, interest on the Bonds is not includible in the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the State with respect to certain material facts solely within the State's knowledge relating to the application of the proceeds of the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code") includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (excluding S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, REMICS and FASIT's) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax-exempt interest, including interest on the Bonds.

Under the provisions of Section 884 of the Code, a branch profits tax is levied on the "effectively connected earnings and profits" of certain foreign corporations, which include tax-exempt interest such as interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

From time to time, there are legislative proposals in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the mar-

ket value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond for federal income tax purposes. However, as bond premium is amortized, it reduces the investor’s basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

### **Utah Income Taxation**

In the opinion of Bond Counsel, under the existing laws of the State as presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. Bond Counsel expresses no opinion with respect to any other taxes imposed by the State or any political subdivision thereof. Ownership of the Bonds may result in other State and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such State and local taxes.

### **General**

The approving opinion of Chapman and Cutler, Bond Counsel to the State, concerning the validity of the Bonds, in substantially the form set out in APPENDIX C to this OFFICIAL STATEMENT, will be provided at the time of delivery of the Bonds. Chapman and Cutler will act as Bond Counsel for the purpose of rendering its opinion: (1) as to the validity of the issuance and sale of the Bonds, and (2) as to the exemption of: (a) interest on the Bonds from Federal income taxation, and (b) interest on the Bonds from taxes imposed by the Utah Individual Income Tax Act, as amended. Copies of the opinion of Bond Counsel, in substantially the form set forth in APPENDIX C to this OFFICIAL STATEMENT, will be available upon request from the chief contact person for the State indicated under the heading “INTRODUCTION—Contact Persons” above.

Bond Counsel prepared and has reviewed those portions of the OFFICIAL STATEMENT captioned: “THE BONDS (except the portions under the captions “—Book-Entry Only System”, “—Estimated Sources And Uses Of Funds”, “—Security For The Bonds (last paragraph)”, and “Plan Of Refunding),” and “LEGAL MATTERS—Tax Exemption.” Bond Counsel also prepared and has reviewed APPENDIX C to the OFFICIAL STATEMENT, which sets forth the anticipated form of Bond Counsel’s opinion on the Bonds and APPENDIX E—SUMMARY OF CERTAIN DEFINITIONS. Bond Counsel has not assumed responsibility for the remaining material in the OFFICIAL STATEMENT and has not verified independently the information set out therein. In addition, Bond Counsel has not assumed responsibility for any agreement, representations, offering circulars, or other material of any kind not mentioned in this paragraph, relating to the offering of the Bonds for sale.

Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State. Certain legal matters will be passed upon for the Underwriters by their counsel Ballard Spahr Andrews & Ingersoll, LLP, as Underwriters Counsel. Certain legal matters will be passed upon for the initial Liquidity Provider by its in-house Canadian Counsel and Chapman and Cutler.

## MISCELLANEOUS

### **Year 2000 Compliance**

The State has established Year 2000 Compliance as its number one information technology priority. The State has developed an inventory of all its computer software programs and applications. A plan is in place to review each application, modify (if necessary), and test all mission-critical applications. Systems renovation has been funded by the Legislature and agencies are dedicating a major portion of existing resources towards this process. Approximately 75% of all systems have been reported to be Year 2000 compliant. Other systems are in the process of being updated and tested. The central financial and accounting system for the State has already been replaced and upgraded to a compliant system. State projects are addressing the issues of embedded systems, telecommunications, and infrastructure. A major effort has been funded and is well under way to replace the State's tax collection systems. The State is also working with its software vendors to ensure that their applications will be compliant. Contingency plans will be developed in the event of specific failures. The State continues to take the necessary steps to achieve a smooth transition into the next century and minimize the negative impacts that could potentially arise from this event.

### **Bond Ratings**

Fitch, Moody's and S&P have rated the Bonds "AAA/F1+," "Aaa/VMIG1," and AAA/A-1+," respectively, as of the date of this OFFICIAL STATEMENT. The short term ratings on the Bonds are based on the credit strength of the initial Liquidity Provider.

See "DEBT STRUCTURE OF THE STATE OF UTAH—General Obligation Indebtedness" above.

Any explanation of the significance of these outstanding ratings may only be obtained from the rating service furnishing the same. The above ratings are not recommendations to buy, sell or hold the Bonds. There is no assurance that such ratings will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward change or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

### **Remarketing Agents**

Goldman has been appointed to serve as the initial Remarketing Agent with respect to the Series 1999A and Series 1999B Bonds and PaineWebber has been appointed to serve as the initial Remarketing Agent with respect to the Series 1999C and Series 1999D Bonds as required under the provisions of the Bond Resolution and the Remarketing Agreement, dated as of May 1, 1999 (the "Remarketing Agreement").

Subject to the terms and conditions set forth in the Remarketing Agreement, the Remarketing Agent has agreed to perform the duties of the Remarketing Agent under the Bond Resolution and to use its best efforts in remarketing its series of Bonds. The Remarketing Agent may at any time resign and be discharged of the duties and obligations contemplated by the Bond Resolution by giving at least five days' notice to the State and the Bank. The Remarketing Agent may be removed by the State at any time by a written notice of the State filed with the Remarketing Agent and the Bank, at least five days prior to the effective date of such removal. Upon the resignation or removal of the Remarketing Agent, the State may appoint a new Remarketing Agent by entering into a new Remarketing Agreement with such Remarketing Agent and providing written notice thereof to the Bank.

### **Underwriters**

Goldman and PaineWebber (collectively the "Underwriters") of the Bonds, have agreed, subject to certain conditions, to purchase all of the Bonds from the State at par (the fees paid to Gold-

man and PaineWebber were \$302,335 and \$273,509, respectively), and to make a public offering of the Bonds. The Underwriters have advised the State that the Bonds may be offered and sold to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the cover page of the OFFICIAL STATEMENT and that such public offering prices may be changed from time to time.

### **Financial Advisor**

The State has entered into an agreement with Zions Bank Public Finance, Salt Lake City, UT (the "Financial Advisor") whereunder the Financial Advisor provides financial recommendations and guidance to the State with respect to preparation for sale of the Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors relating to the sale of the Bonds. The Financial Advisor has read and participated in the drafting of certain provisions of this OFFICIAL STATEMENT. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the OFFICIAL STATEMENT, or any other related information available to the State, with respect to accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisor respecting accuracy and completeness of the OFFICIAL STATEMENT or any other matters related to the OFFICIAL STATEMENT. Financial Advisor fees are contingent upon the sale and delivery of the Bonds.

### **Independent Auditors**

The financial statements as of June 30, 1998 and for the year then ended, included in this OFFICIAL STATEMENT, have been audited by the Utah State Auditor, as stated in their report in APPENDIX A to this OFFICIAL STATEMENT.

### **Additional Information**

The foregoing description of the Bonds does not purport to be complete and is expressly made subject to the exact provisions of the complete documents, copies of which are available for inspection at the offices of the Financial Advisor during the offering of the Bonds, and subsequently, at the office of the Paying Agent in Salt Lake City, Utah.

Any statements in this OFFICIAL STATEMENT involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The Appendices attached hereto are an integral part of this OFFICIAL STATEMENT and should be read in conjunction with the foregoing material.

This OFFICIAL STATEMENT and its distribution and use have been duly authorized by the State.

**State of Utah**

\_\_\_\_\_  
/s/ Edward T. Alter

Edward T. Alter, State Treasurer  
Secretary, State Bonding Commission

(This Page Has Been Intentionally Left Blank.)